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PROFESSIONAL NOTES

The Society's Activities

It is pleasing to comment upon the considerable expansion of activities upon a peace-time basis in different sections of the Society's work. Notable among them was the recent celebration by the Manchester District Society—the senior among the District Societies—of the sixtieth anniversary of its foundation. Mr. J. D. Hamer was in the chair, and the President of the Society of Incorporated Accountants paid a visit to Manchester for the occasion. The District Society had the pleasure of receiving The Lord Tweedsmuir as one of the guests. The District and Students' Societies throughout the country have arranged series of lectures and meetings, which in some cases include Refresher Courses to meet the needs of ex-Service members and students. In London, the District Society and the Students' Society have co-operated in launching a special programme of lectures, which has already commended itself to large audiences. A successful luncheon meeting was recently given by the London District Society when Mr. F. C. Hooper, the Director of Business Training at the Ministry of Labour and National Service, addressed the members on "Post-War Business and Professional Training." Mr. C. V. Best, the Chairman, who presided, was supported by the President of the Society of Incorporated Accountants, Mr. F. Woolley. This was the first social occasion of the Society in London subsequent

to the war, and gave members an opportunity of meeting one another. The President of the Society has a considerable programme of visits away from London in the near future.

We invite all members and students of the Society—particularly those who have returned from H.M. Forces—to associate themselves actively with the Committees throughout the country, in the initiative they have taken.

Advices from overseas Branches likewise indicate a desire to develop their work, and recently in South Africa representatives of the Society's three Committees (Cape Town, Johannesburg, and Durban) met together in conference. This affords us an opportunity to express our appreciation to Hon. Secretaries and members overseas for the personal trouble they have taken in welcoming members from Great Britain who served in H.M. Forces abroad, and for their sympathetic interest during the war in the Society at home.

Appointment of Assistant Secretary to the Society

The Council of the Society of Incorporated Accountants have appointed as Assistant Secretary Mr. Ian A. F. Craig, O.B.E., B.A. (Trinity College, Cambridge). Mr. Craig was recently demobilised after service in H.M. Indian Army, where he had

served in S.E.A.C. as Lieut.-Colonel on the staff of Admiral Viscount Louis Mountbatten. We extend our good wishes to Mr. Craig, who has now taken up his duties at Incorporated Accountants' Hall.

"Wholly, Exclusively and Necessarily"

A reader informs us that a client of his, a professional teacher of music, has recently been refused an allowance against her professional fees of a payment to a School of Music incurred to keep her practice abreast with up-to-date developments. Previously this expense had been admitted by the Inspector of Taxes, but for the last financial year he has disallowed it, apparently on the strength of the case *Blackwell v. Mills* (K.B.D., 1945, T.R. 307—noted in ACCOUNTANCY, January, 1946, page 78). The Inspector argues that in that case it was laid down that expenses of this character were not incurred in the performance of the duties of the office, and while admitting that the case actually referred to a Schedule E assessment, he holds that the principle should be extended to cover Schedule D. Accordingly, the expense of the client in keeping herself up-to-date in her professional duties was not, he maintained, an expense wholly and exclusively laid out for the purposes of the profession. For our part, we can see no connection between the *Blackwell v. Mills* decision and a Schedule D case. The expenses allowable under Rule 9 of Schedule E must be incurred "wholly, exclusively and necessarily" in the performance of the claimant's duties. It was held in *Blackwell v. Mills* that the claimant could not be regarded as performing the duties of his office when attending a Polytechnic, although it was a condition of his employment that he should attend classes. This decision does not seem to us in any way to affect or interpret Rule 3 of Cases I and II of Schedule D, under which no deduction is allowable in respect of any expenses (a) not "wholly and exclusively" laid out or expended for the purposes of the business—no mention is made of "necessarily"—or (b) for private purposes distinct from the purposes of the business. In our view, the payment to the School of Music made by our reader's client is laid out for the purposes of her business equally with the payments by an author of subscriptions to literary societies frequented for the purpose of authorship, or subscriptions by a professional man to the publishers of a professional journal.

The Future of Hospital Finance

The draft of a further revision of the Revised Uniform System of hospital accounts has been submitted to a small special committee comprising Sir Alan Rae Smith, F.C.A., Sir Thomas Keens, F.S.A.A., and Mr. Bertie Joseph, for an independent report. King Edward's Hospital Fund for London has since its early days made it a condition of its grants to hospitals that the requirements of the system should be observed, and the system has been adopted in more or less complete form by practically all the voluntary hospitals in Great Britain.

The Fund is appealing for a considerable increase in income. When the National Health Service Act comes into operation in 1948, all maintenance expenditure of

hospitals will be borne by the State and it will be unnecessary for the Fund to continue its annual maintenance grants. But mere maintenance does not cover all the requirements of an effective hospital service. Earnest consideration is being given to the future policy of the Fund, and a scheme will be drawn up to provide for essential supplementary services which lie outside the scope of a State system. The number of hospitals to be assisted will be much larger, as all former voluntary and municipal hospitals will be included. The aim of the Fund will be the fostering of those things which help to turn an efficient machine into a human, sympathetic place. In the meantime there is much to be done along traditional lines to help the voluntary hospitals in their present financial difficulties caused by large increases in all their costs.

New P.A.Y.E. System

The Chancellor of the Exchequer announced in the House of Commons on October 22 that a new system had been devised, known as the Single Table System, which would reduce the time required for the printing and distribution of revised P.A.Y.E. tax tables from five or six months to about ten weeks. This would be a great improvement in giving effect to Budgetary changes in income tax, but it would involve employers in "some extra work." The Chancellor expressed his appreciation of the public spirit shown by the British Employers' Confederation, who had indicated that, in the national interest, they were ready to work the new system.

Allowance for Renewals

In Mr. Cowcher's article on "Currency Depreciation and Tax Allowances," printed in our August and September issues, mention was made of the Crown contention in a recent case that all renewal allowances were extra-statutory. Since the article was written the case, *C.I.R. v. Great Wigston Gas Company* has been before the Court of Appeal and there, again, to quote the words of Scott, L.J., who gave the only judgment: "There was considerable argument before us as to whether the renewals allowance was an extra-statutory concession, as Mr. Donovan argued for the Crown, or was allowable as an ordinary revenue deduction under Rule 3 (a) of the Rules applicable to Cases I and II of Schedule D as 'money wholly and exclusively laid out or expended for the purposes of the trade,' or under Rule 3 (d)." The conclusion came to by the Court was expressed as follows: "It may be that the Revenue, by allowing the renewals basis on everything included within the words 'plant and machinery,' are giving Rule 3 (d) a somewhat wider construction than it would otherwise bear. . . . On the view, however, which we take, a substantial proportion of the deductions allowed for renewals are undoubtedly authorised by the statute." The case may go to the House of Lords upon other issues, but for the present it is clear that the Revenue attack upon the renewals allowance has definitely failed.

An Advertisement by a Coaching Organisation

It has been brought to the notice of the Society that a coaching organisation is advertising that accountancy qualifications can be gained after only six months postal study, and that by the intensive

method adopted by such organisation any accounts clerk, book-keeper, etc., can qualify for admission to a recognised professional body as Associate or Fellow. In view of this advertisement it would seem desirable to emphasise that in the case of the Society admission to membership is governed by the Society's Articles of Association and Bye-Laws and involves practical as well as theoretical training over a period of years. Any prospective candidate for admission would be well advised to seek information from the Society as to its requirements before undertaking any training course.

A Modern Domesday Book

There has just been published the National Farm Survey of England and Wales, which gives a comprehensive record of the condition of farms in England and Wales. A great wealth of material is tabulated and analysed under the following headings: classification of occupiers of farms and of agricultural holdings by type of farming and size of farm; tenure, rent and length of occupation; convenience of layout and situation of holding; condition of permanent buildings; type of soil; grading of managerial efficiency of occupier and condition of land; farm water supply and use of electricity. Truly this survey is, as the Minister of Agriculture says, "a mine of information capable of being worked for many years." To those interested in the organisation and statistics of agriculture, almost every page presents valuable information. Taking an example almost at random, we find that Essex, Kent and Surrey are counties with the lowest proportion of holdings occupied by tenants, as contrasted with owner-occupiers, while the reverse position applies to Durham, Lincoln (Kesteven), Westmorland and Cheshire. In the first three counties, the percentages of holdings occupied by tenants are 45, 47 and 47 respectively; in the last four, the percentages are 79, 78, 76 and 76 respectively. Again, the disparities between counties in rents per acre are illuminating. In Cardigan and Merioneth the figure is 16s., averaging over holdings of all sizes; in Suffolk it is 21s.; in Lincoln (Kesteven) 24s., and so through an increasing range until in the Isle of Ely it is 46s., and in Lincoln (Holland) 57s. Our only regret, if it is not invidious to point to omissions in a work of such magnitude and comprehension, is that the financial results of operations in farming have not been covered in the survey. But that is a deficiency which is partly made good, though necessarily not on the national scale of this report, by publications of the agricultural economists of the various universities and centres and of the N.F.U.

Government Contractors' Prices

Successive Public Accounts Committees have reviewed price arrangements made during the war with various industries and trade associations. Where higher profits have resulted than were anticipated, the arrangements in some cases provided for retrospective adjustments of prices, while in other cases Departments were able to negotiate voluntary refunds. The Ministry of Supply is criticised in the Fourth Report of the Committee for 1945-46 in connection with arrangements in operation until March, 1946, with the British Electrical and Allied

Manufacturers' Association, where no cost investigation was made later than 1942. Technical veneers and plywood were manufactured for the same Ministry by a total of forty-four firms, whose turnover for 1942 amounted to some £8,250,000. Control prices fixed in 1941 were reduced by 25 per cent. in 1943, and some further reductions were made in 1944 after a report by the Ministry's costing branch that the 1942 profits of three firms producing 75 per cent. of the veneers had ranged from 70 to 133 per cent. on capital employed, and those of three firms producing 40 per cent. of the plywood from 43 to 119 per cent. If the figures of all the firms were comparable, their total profit for 1942 would be about 30 per cent. of the turnover. Four firms made both veneers and plywood, and it was pointed out that their lower costs of handling would result in excessive earnings even under the latest prices, but there was no indication that any special reduction was made in their prices for subsequent supplies. The Committee regret that no attempt was made to obtain voluntary refunds from any of the firms, and recommend as a general principle that firms should not be allowed to retain profits in excess of a fair and reasonable standard on Government orders.

Subscriptions to the Society

On page 325 of this issue we publish a report of the proceedings at the extraordinary general meeting of the Society of Incorporated Accountants, which was held at the Hall of the Auctioneers' and Estate Agents' Institute (by kind permission of the President and Council of that Institute) on October 23. The President of the Society, Mr. F. Woolley, J.P., F.S.A.A., explained the need for additional revenue to finance the Society's post-war activities in the general interest of members and of the profession, and after discussion, the resolution to make the necessary alteration in the Articles of Association was adopted *nom. con.* We are sure that the decision of those present at the meeting will receive the cordial support of all Incorporated Accountants.

Expenses of Conversion to Fuel Oil

The treatment for taxation purposes of expenses incurred by industrialists in converting their fuel equipment to consume oil instead of coal, in conformity with the desire of the Minister of Fuel and Power, has been raised in a letter to the Minister from the Association of British Chambers of Commerce. The Minister had advised, after consultation with the Board of Inland Revenue, that capital expenditure incurred for this purpose would receive the allowances granted by the Income Tax Act, 1945, and it was assumed that revenue expenditure would be deductible for taxation purposes. The income tax position was therefore satisfactory, but the Association asked for guidance in connection with E.P.T. The Minister of Fuel and Power replied that the distinction between capital and revenue expenditure depended on individual circumstances. On allowances for E.P.T. the Board of Inland Revenue was the authority, but even if no relief was obtainable, the Ministry was informed by the Treasury that capital expenditure on conversion to oil fuel would be regarded as a proper use of post-war refunds.

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New Light on Bank Advances

Information on many aspects of British industrial finance, and particularly upon the distribution of new capital, is woefully deficient, as all who have tried recently to answer the important question "How liquid is industry?" have good reason to know. There is nothing remotely comparable in this country to the American statistics on the distribution of holdings of liquid assets. British figures do not go beyond the very rough breakdown of bank deposits into those on "personal" and those on all other accounts. It is time that a real attempt was made to remedy this deficiency, for the greater the measure of capital market control and the more complete the Government's adherence to its cheap money policy, the more indispensable do such figures become.

On the other side of the same account, the banks before the war made a modest attempt to fill the gap by publishing figures showing the distribution of bank advances. These figures were suspended at the outbreak of war. In future, however, much more reliable data will be available. The British Bankers' Association last month published the first of a new series of figures showing the distribution of their lendings. The new classification embraces all members of the Association (which includes the Scottish, Irish and Dominion banks, as well as the London clearing banks); excludes all overseas loans; extends the sub-division from 14 to 25 categories; and is based on clear definitions and principles of analysis. By comparison with pre-war, the most important change of all is that the new classification will be available quarterly instead of only annually.

The figures will be of increasing value to all who are concerned with industrial finance and the movements of capital. At the outset, of course, the analysis gives an instantaneous snapshot of the position as it was on the chosen date—August last—with no similar snapshot for earlier dates. And because of the greater number of categories and the changes in definition, no precise comparison with the pre-war series is possible.

Some important facts do, however, emerge. Personal and professional advances—too heterogeneous a group to respond readily to further analysis—still account for roughly 30 per cent. of the total. Of the remaining 70 per cent., the largest single group, now as before the war, relates to "financial" business, which absorbs 9.6 per cent. of the total compared with 11.4 per cent. in 1938, and thus shows a rather surprising degree of stability despite the decline in speculation and in financial activity generally.

Excluding these two groups, the most important borrowers are—in descending order—heavy industry, agriculture and fishing, local authorities and public utilities and retail trade, which together absorb some 47 per cent. of the non-personal business. Before the war, the comparable proportion of these same groups was only 35 per cent., and heavy industry (although then including shipbuilding, now grouped with shipping) was as low as sixth on the list, with less than 5 per cent. of the grand total. It actually absorbed less finance than was provided for amusements, churches, charities, etc. The building group, which before the war ranked first after the personal and financial groups, now holds only sixth place, but this decline is due only partly to the present emphasis upon local authorities' building; another factor is the change in the basis of classification, which now depends solely upon the business of the borrower, and thus excludes from the building group advances made to other industries or persons for the purposes of building.

At this stage, when the whole economy is so largely shaped by physical control, these advance figures do not, perhaps, shed much light upon problems of industrial liquidity. The banks themselves, instead of asking how far advances statistics answer the question mentioned at the outset—"How liquid is industry?"—ask the same question in the hope of discerning the future trend of advances. For them, as for the new capital market, it is indeed a crucial question. Throughout the 1930's a strong secular decline in advances was in progress, and on the eve of the war their ratio to deposits, despite its modest recovery in the re-armament phase, had dropped to only 37 per cent. in contrast with the traditional figure of well over 50 per cent. Now it stands at only 17½ per cent., so that the principal business of the banks, which used to be that of providing industry's short-term finance, is overwhelmingly that of lending to the Government.

Since November, 1943, when the lowest point was touched, clearing bank advances have risen by more than 25 per cent., from £724 million to £921 million—the expansion since the end of the war amounts to £140 million. The recovery will continue, and may even accelerate; but nobody dares to hope for a restoration of the traditional relationship to deposits. Though industry may now have vastly greater holdings of cash and gilt-edged securities than it had before the war, this expansion of liquid capital can hardly match the outlays that must eventually be made to rebuild stocks and work-in-progress and to make good the seven-year deterioration in fixed capital—for this replenishment must be undertaken at a greatly increased price level. In other words, an empirical answer to the underlying question is that industry is much less liquid now than appears from its balance-sheets, and is probably much less liquid, too, than before the war. That is another way of saying that the scope for expansion of bank advances may be a good deal greater than is commonly supposed, but the full scope can be realised only as and when physical resources enable industry to replenish its depleted real capital.

The Company World's Peace Effort

By HAROLD E. WINCOTT

Editor of the *Investors' Chronicle*

In the period of eighteen months which has elapsed since the end of the war in Europe, the process of demobilisation of man-power has proceeded steadily and smoothly; to-day there are more people employed in producing for the home market than in 1939, and the numbers engaged in production for export are up by more than 380,000 over the same period. In industry, the transition from war to peace production has been smooth; if the level of output is disappointing in many directions, the change-over, now largely completed, might by general consent have been a great deal more troublesome than in fact has been the case. What of the mobilisation of financial resources for peace? How much new capital is industry raising? Is this post-war period marked, as the years 1919 and 1920 were marked, with a flood of new company registrations?

New Capital Issues

Thanks to the efforts of the Midland Bank, we are able to answer the first question quite easily. The bank publishes every month compilations of issues of new capital which really do represent new non-Governmental finance. That is to say, they exclude all borrowings by the British Government; shares issued to vendors; allotments arising from the capitalisation of reserve funds and undivided profits; sales of already issued securities which add nothing to the capital resources of the company whose securities have been offered; issues for conversion or redemption of securities previously held in the United Kingdom; short-dated bills sold in anticipation of long-term borrowings; and loans of municipal and county authorities which are not specifically limited.

As was to be expected after a war in which the great bulk of new financing was arranged centrally by the Treasury, there was a rapid pick-up in new non-Governmental capital issues immediately the war ended. In the second half of 1945, new capital issues rose from a war-time "low" of £638,000 (touched in the first half of 1942) to £13,534,000, easily the highest figure since the first half of 1939. Even the total of £66,294,000 for the whole of 1939, was, however, sub-normal, for first fears of war and then war itself inevitably restricted the activities of the capital issues market. It is not, therefore, really surprising that already, in the first nine months of 1946, as the following table shows, the total for the whole of 1939 should have been left well behind:

	000's omitted				Total for the first nine months
	First six months	July	August	Sept.	months
	£	£	£	£	£
1936 ...	108,984	24,403	6,194	9,546	149,127
1937 ...	97,416	20,305	7,141	1,964	126,826
1938 ...	74,051	15,188	2,184	1,649	93,072
1939 ...	57,145	2,800	5,177	64	65,186
1946 ...	46,555	31,460	8,968	13,274	100,257

Indeed, on the showing of 1946 to date, it is probable that provided reasonably satisfactory conditions are maintained on the Stock Exchange the total for the current year will be the highest since 1936, when £217 million was raised.

This might be held to be a significant achievement, for 1936 was the last year of boom in new issues, a year which ranked not far behind the wild years of 1928 and 1929. Yet even the raising in 1946 of the same amount of capital as was raised ten years earlier would not in fact be in any way remarkable. We have, after all, had a six-years closed season in new capital issues. And, at a guess, it is necessary to-day (because of the intervening rise in prices and wages) to raise £175 to do the work which £100 would have done in 1936. On this latter score alone, the 1936 total of £217 million needs "writing up" to £380 million if it is to be compared with current totals. In these circumstances, the progress in 1946 would seem definitely inadequate.

Why Not Larger Figures?

Why are new issues lagging? There is little or no evidence that public companies are seeking or obtaining finance from either of the two quasi-official lending institutions set up early in 1945—Finance Corporation for Industry and the Industrial & Commercial Finance Corporation. The first of these was intended to accommodate the large borrower, particularly from the basic industries; it is a fair assumption that it would have done more business had not H.M. Government decided to implement a wide-scale nationalisation programme. The second corporation was intentionally designed to accommodate the small borrower, to fill the alleged and famous "Macmillan gap." Its activities, in consequence, can hardly have reacted upon the amount of business handled by the new capital issues market. Neither is there any evidence that industry has been financing itself by bank advances rather than by public issues; the growth in bank advances since the end of the war has been just about what most people expected.

A more plausible explanation for the lag in new issues may be found in the Budget White Paper on National Income and Expenditure. This showed that despite all the complaints of the business world that war-time taxation was oppressive and prevented the accumulation of necessary reserves, the item "other net private saving after allowance for accrued taxation," representing mainly the undistributed profits of the company world, rose by £1,555 million between 1938 and 1945. When allowance is also made for the winding-up of war-time contracts and for the distribution to date of over £130 million of E.P.T. refunds, there is some reason for believing that industry emerged from the war in better financial fettle than some of its more alarmist spokesmen would have had us believe.

Even so, a six-year closed season and a rise in prices and wages of between 75 per cent. and 100 per cent.

would, one would have thought, have led to a demand for capital far in excess of what has been seen. In this connection, an interesting article in the *Westminster Bank Review* points out that war damage has been officially estimated at £1,450 million at current replacement costs; that the "running-down" of industrial capacity through the deferring of repairs and maintenance has been put at £885 million for the years 1940-44; and that already various basic industries, such as electricity, iron and steel, coal and housing, have estimated their aggregate capital needs at £915 million. It is difficult to avoid the conclusion that industry's new capital requirements are going to be very great.

Without any doubt, the total raised would have been far larger but for the Government's control policy. That policy not only forbids approach to the lending public by borrowers whose activities are deemed "non-essential." It has, until quite recently, been restrictive even where the need for an issue of capital was admitted. In insisting on the right to control all issues down to their actual market terms, the Government, through the Capital Issues Committee, undoubtedly slowed down the capital market's machinery to a considerable extent. To-day, the inadvisability of such close and detailed control of issues which are approved in principle has been admitted. But it is to be feared that even to-day there is a great deal of delay and frustration in the control of new issues which is necessarily finding its reflection in the sub-normal totals of such issues. And, of course, the sheer physical difficulties of to-day are limiting the employment of new capital.

New Companies

So much for new issues. How have new company registrations been faring since the end of the war? Here we are as yet up against a lack of really detailed and up-to-date information, for the only comprehensive survey and analysis of company registrations is published by Jordan & Sons, Ltd., company registration agents. And because of the circumstances of war, the last figures published by this authority were those relating to the year 1940. Thanks to the courtesy of Mr. J. Gordon Hassell, a director of Messrs. Jordan & Sons, however, I have been provided with sufficient details of the recent trend of new company registrations to satisfy most questions concerning the trend until such time as the full figures for the first half of 1946 are published.

From the figures I have seen, it is crystal clear that despite all the talk of nationalisation and rationalisation, and of the need for fewer and larger units in British industry, the activity in the formation of new companies, and particularly of small private companies, has not only far outstripped the activity in the post-war capital issues market; it is far ahead of the activity experienced either just after the 1914-18 war or in 1936, the last period of bumper company registrations. In the first six months of 1946, over 11,000 new companies were registered, and of the total all but a handful (approximately 99 per cent.) were private companies. In the whole of 1945, there were 10,309 new companies registered.

In the whole of 1936, the figure was 13,742. For the first six months of 1920, only 5,500 new companies were registered. Clearly, if the pace is maintained during the second half of the year, 1946 will go down into history as a record year for new companies.

Small Average Capitalisation

On closer analysis, the figures are even more remarkable than they appear at first glance. The total amount of capital involved in the six months' registrations, at approximately £60 million, compares with the year's total for 1936 of £158,000,000. Taking the average amount of capital represented by each registration, therefore, we find that the typical new company of 1946 has a capital of approximately £5,500; for private registrations alone, the average is, of course, lower—approximately £4,700. In 1936, the overall average was £11,500; the average for private companies alone was £8,200. If we turn the clock back to 1920, we find that the average was £33,000.

The decline in average capitalisation between 1920 and 1946 is less puzzling than that between 1936 and 1946. The year 1920 was notorious for inflation, speculation and unloading on the public via the limited company. It is hardly surprising that the excesses of that earlier post-war period have not been repeated on the present occasion; the most cynical would concede that mankind learns *something* from its earlier mistakes. But having regard to the rise in prices which has been witnessed since 1936, it is surprising that the average new company of 1946 should be able to manage on an initial capital a good deal below what was considered necessary ten years earlier. It may be, of course, that subsequent to their formation the newcomers obtained supplementary finance from the banks or from such agencies as the Industrial & Commercial Finance Corporation already referred to; such a development, if it has in fact occurred, cannot be measured in statistical terms.

Industrial Private Enterprise

Analysis of the new registrations by type of business itself suggests, however, an explanation for the very marked increase in the number of small private companies which has occurred. Among the most popular new companies are the building business, the engineering concern, the clothing or food establishment, and the garage. Without any doubt, the ex-service man and the formerly directed employee have capitalised both their expectation of the greatest demand and their experience, and, with the aid of their gratuities and savings, have "turned themselves into companies." It would be interesting to know whether the increase in company registrations has been at the expense of partnerships. But the figures as they stand suggest three morals. First, the nation may have voted for a Socialist State in July, 1945; but at heart and in practice the voter believes in private enterprise—for himself at least. Secondly, the oft-postulated trend towards an industrial structure composed entirely of mammoth "trusts" is not supported by these figures. Thirdly, there is going to be plenty of work for company auditors in the post-war world.

Tax-Free Annuities Under Section 25 (1), Finance Act, 1941

[CONTRIBUTED]

In his admirable work on "Law and Orders," Dr. C. K. Allen says that statutory draftsmanship "is a branch of the legal art in which, by comparison with other countries, we do not excel." Section 25 of the Finance Act, 1941, is a good example of this failing, as it has been fruitful of litigation, and a recent case has reached the House of Lords (*Countess of Berkeley v. R. G. W. Berkeley and Others* (1946), 2 All E.R. 154). Using the same metaphor, Lord Simonds (at p. 166) says, "That the section is not very artistically drawn, I would be prepared to agree."

Before reviewing the judgments in that case, it may be useful to refer to the offending words, particularly Sub-section (1). The principle is by now familiar. If the section applies, the amount which was to have been paid free of tax is restricted to twenty twenty-ninths for years 1941-42 to 1945-46, and to twenty-two twenty-ninths for the current year, of that amount. If the section does not apply, the legislature does not intervene as between the parties. Subject to certain exceptions, which will be found in Sub-section 5, Section 25 (1) deals with "any provision, however worded" for:

- (a) the payment of a stated amount free of income tax, or free of income tax other than sur-tax, which
- (b) is contained in one of the following:
 - (i) A deed or other instrument;
 - (ii) A will or codicil;
 - (iii) An order of the Court;
 - (iv) A local or personal Act;
 - (v) A contract, whether oral or written; and
- (c) was made before September 3, 1939, and
- (d) has not been varied on or after that date.

It is proposed to confine the discussion to payments which arise under a will or codicil, bearing in mind the other contexts for the purposes of interpreting the sub-section generally. The difficulty which has arisen, of course, is to determine whether the provision for the payment was made before September 3, 1939, and whether it has been varied on or after that date. There may be various combinations of the following factors:

- (a) Death occurring before September 3, 1939.
- (b) Death occurring after September 2, 1939.
- (c) Will made before September 3, 1939.
- (d) Will made after September 2, 1939.
- (e) Will made before September 3, 1939, but codicil made on or after that date, the codicil either
 - (i) altering the will with or without altering the provision for the payment, or
 - (ii) altering other clauses and specifically confirming the remainder of the will.

Date of Death or of Will or Codicil

In *Re Waring* ((1942) 2 All E.R. 250), Mr. Justice Farwell decided that, where the will was made before the war and death occurred after the commencement of the war, the section did not apply, on the ground that the contents of a will are effective only from the

death and the provision for the payment was therefore "made" on the latter date. This decision was overruled in the Court of Appeal, the date of the instrument in which the provision was contained being held the material factor, the provision being made from the date thereof. In *Re Tredgold* ((1943) 1 All E.R. 120), a codicil made after the war confirmed a will made before the war. It was held that the provision was made on the date of the codicil. In *Re Sebag-Montefiore* ((1944) 1 All E.R. 672), an annuity was increased in a codicil which was made after the war. The rest of the will was confirmed. It was held that the original clause in the will made a provision for the payment therein contained, and the codicil made a provision for a further payment, representing the increase. Section 25 applied, therefore, to the original payment, but not to the additional payment. This decision was given in the Court of Appeal, and expressly overruled the *Tredgold* case. The position which had been reached at this stage was that a provision was deemed to have been made on the date on which the will or codicil was made, in which the payment was first contained. There had been two fundamentally conflicting views. On the one hand, Mr. Justice Farwell had held that the date of death was material, in which case the complications due to codicils were irrelevant; on the other hand, the succeeding judgments had been concerned with the date of the instrument, the only point being whether it was the date of the original will or that of subsequent codicils. It would follow from the first view that the section could not apply in the case of a death occurring after the commencement of the war, the date of the passing of the 1941 Act being held of no consequence.

These divergencies arose in interpreting the words "any provision, however worded," the first view maintaining that making a provision meant conferring the benefit represented by the payment in question, in which case no provision was made, either by will or codicil, until the death made it effective. The second view construed "provision" as the words by which the payment was described, in the same way in which we think of the provisions of an Act. It follows naturally from such reasoning that the provision would be regarded as made on the date on which the material clause was made.

The Berkeley Decision

For a resolution of this matter, we pass to the *Berkeley* case. The will and two codicils had been made before the war, and two further codicils had been made after the war. In the will, two of the clauses contained details of amounts of income which were to be paid to the widow. The second codicil gave an annuity, free of duties and income tax, of such amount as was necessary in each year to make up to £5,000 the total amount to be received

by her under the will. The fourth codicil declared that the sums payable to the widow were to have priority over other dispositions and specified assets were to be charged with the payment of the annuities. Overruling the Court of Appeal decision, the House of Lords, by a majority of four to one, took Mr. Justice Farwell's view, and held that the date of death was the material factor, and Section 25 did not apply. The point was stressed in the course of the judgments that a distinction had been drawn in Section 25 (1) between a provision which was "contained" in a document or oral contract and a provision which was "made" before the appropriate date. If provision meant the actual clause conferring a benefit, rather than the benefit itself, there would not appear to be any logical reason why (a) and (b) of the sub-section should be separated, and the word "made" could have been used for both. Further, if the other contexts are considered, under which the section may be invoked, it will be noted that all refer to rights of interested parties which had crystallised before the appropriate date. For instance, there would be no difficulty in construing the sub-section in relation to a contract. In such a case, the material date would be that on which the contract was made. On that date the parties would have contractual rights under the contract. On the other hand, if we were looking to the clause rather than the benefit which it confers, in the case of a payment arising under a will or codicil, the annuitant would have no rights on the date of signing the document, as his interest is effective only when death has occurred. It followed that, on this interpretation, the sub-section applied differently according to the nature of the payment, which was untenable.

Possibility of Variation

The effect of (c) of Section 25(1) was then considered. In the Court of Appeal, the Master of the Rolls had accepted the argument that, if a provision was deemed to have been made as on the date of

death, it would not be possible to have any case in which (c) applied, as no variation in the will was obviously possible after the death. Viscount Simon's answer to that view was that it was not the variation of a will which was contemplated, "but the variation of a provision made by the will which conferred upon the annuitant a vested right from the moment of the testator's death" (p. 157). An agreement made between an annuitant and the remainderman would meet the case, if taking place between September 3, 1939, and the 1941 Act.

Subsidiary points were Lord Thankerton's observation that, under Scottish law, it was clear that the date of death was material in conferring the benefit, and the construction of Section 25(1) as made in this case was necessary to ensure equality of application in the two countries; and Lord Porter's dissenting judgment, in the course of which he regarded the date of the latest codicil as material, on the general rule that a will or earlier codicil is made at the date when it is confirmed by a later codicil. It was also held that the necessity of applying a formula before finding the amount of the annuity payable under the second codicil to the will did not prevent the payment thereunder from being regarded as a "stated sum."

The Present Position

The position is, then, that Section 25(1) cannot apply in the case of a death which occurs after September 2, 1939, and will not apply where the death took place on or before that date, if there has been a subsequent agreement between the parties under which the provision for the payment has been varied.

For cases dealing with "stated amount," reference should be made to *Re Hawkins* ((1943) 1 All E.R. 39) and *Re Bird* ((1944) 1 All E.R. 132); and with variation of a provision to *Cobbold v. Davenport* ((1942) 2 All E.R. 291), *Re Westrik* ((1942) All E.R. 544), *Dudley v. Dudley* ((1944) 1 All E.R. 29), and *Fitzgerald v. I.R.C.* ((1944) 2 All E.R. 153).

Publication

Mechanised Accounts of a Municipal Authority—Proven Schemes. By A. H. Mackrill, A.S.A.A., F.S.S., Borough Treasurer of Malden and Coombe. (Gee & Co. (Publishers), Ltd., London. Price £1 net.)

A frequent and reasonable comment on a new idea for the improvement of an existing system is, "How will it work out in practice?" No such implied criticism is possible of Mr. Mackrill's book. Every method described has been tried and is in use in his office. The words "Proven Schemes" are included in the title advisedly.

The object of the book is to provide a basis or guide for a Municipal Treasurer who may be considering the mechanisation of his accounts, and the method is a very thorough and comprehensive description of the system in use in Malden and Coombe Borough Treasurer's office.

The accounting machines described are for direct posting, not for use with punched cards, and though the operations relate to the actual machines used, the

principles, checks and a great deal of the system itself could be applied to any type of direct posting machine.

The book is copiously illustrated with examples of the accounts and statements produced. Although great care has been taken in compilation, the inadequacy of the written word to convey clearly the sequence of an operation makes it difficult to follow some of the methods. The author would have made understanding easier had he described the machines and their individual characteristics and functions in an early part of the book instead of the last chapter. A reader with only slight knowledge of office machines would be well advised to study this chapter first.

Chapters are devoted to Costing, Stores Ledgers and Records, Rate Collection and Employees' Records, in addition to ordinary financial accounts. Trading undertakings' accounts are not dealt with, since the borough does not possess any. Mr. Mackrill is obviously an ardent believer in sectional balancing and in constant control checks. He writes with conviction on the need for careful planning, on the avoidance of "bottlenecks"

and on the great value to be obtained from progress charts.

A reactionary will find much to criticise in the systems adopted. For example, all information to be posted, except stores issued, is extracted from the primary records and entered by hand on posting chits, one chit for each entry. The machine posting is then done from the chits after they have been sorted into accounts. This method obviates separate posting of individual entries, since the

several items for one account can be listed and the total posted. It also permits the work to be suitably segregated. However, the author has not attempted to argue the merits of machine against hand-written methods, but merely to describe an actual system, and to give reasons for the adoption of unusual methods.

This is a book which will be of value to any municipal accountant who is considering mechanisation, and it can equally be commended to all students of accountancy. —J. M. M.

TAXATION The Approach to Income Tax

[CONTRIBUTED]

Many aspirants for professional qualifications are now facing the task of getting ready to meet the examiners in the written tests which loom so terrifyingly at that stage in their careers. Particularly is this so where studies have been interrupted by several years of war service. There is added the difficulty of settling down.

A frequent question asked by the candidate is: "How much do I need to know about income tax and how do I learn it?" That is not an easy question to answer, because nobody can see into the examiners' minds. Yet it is one that must be faced. We owe it to those returning to civil life to give them all the help we can to overcome the difficult transition to "normality" and set their feet on the ladder on which they would already have reached higher rungs had their careers not been interrupted.

To pick up a textbook on income tax from a heap of voluminous tomes on the examination subjects is not a heartening experience at the best of times. There seems so much to do in such a short time. Indeed, to-day it is not always possible to get the textbook. It is therefore important to get rid of the idea that income tax is a "hard subject"; it is not. True it tests the memory, but not so much as is generally believed. A sense of humour and of proportion will work wonders.

It is without any special knowledge of examiners but with a somewhat specialised knowledge of examinations and of tax that this article is written, in the endeavour to encourage the despondent and, it is hoped, help all those faced with the problem.

What to Leave Out

Firstly, how much of the subject matter can be more or less ignored? Without being a prophet, the writer would suggest that what is wanted is a sound knowledge of the principles of income tax and the ability to apply that knowledge to everyday problems. If that is right, and it ought to be, it will not be necessary to delve into such "oddities" as the provisions for preventing avoidance of tax by transfer of income to persons abroad, the assessment of insurance companies and building societies, the intricacies of Dominion income tax relief, the details of the anti-avoidance provisions regarding settlements, etc. But the student should know that such things exist, and the first principles of them. For example, with the prominence recently given to double taxation relief, an examiner can be excused if he asks a question on the change in the rules regarding deduction of U.K. tax by companies that have had Dominion income tax relief. It is a matter of logical elimination of the more abstruse details which have little general application. Some "risk" must be taken when time is short.

Order of Learning

Secondly, how to set about the learning? Individual

methods vary, so do the ability and will to learn. But it is essential to learn first principles well. It is therefore suggested that concentration on the subject should be in the following order:

- (a) Learn thoroughly "the schedules," i.e. what type of income is assessable under each of the five schedules, and the basis of assessment under each. This is indeed the "A.B.C." (to use a now-outmoded method of learning first principles!) of income tax, without which the student will never master the subject. It does not take long. (The exceptions and special cases can well be left until a little later.)
- (b) Learn the allowances available to the individual and practise doing simple computations.
- (c) Now concentrate on the general rules for the adjustment of business accounts, and practise doing the computations.
- (d) Wear and tear, etc., allowances should then be studied, in view of the changes brought in by the 1945 Act.
- (e) The rules for deducting tax at source (Gen. Rules 19 & 21) must be mastered.
- (f) The rules for arriving at the assessments in the cases of new and discontinued businesses and successions can then be tackled.
- (g) Relief for losses will form an interesting session; too much attention should not be given to the special "twiddly bits"—departures from normal—beloved of textbook writers.
- (h) Learn the general rules of assessment to sur-tax, but leave the rates alone unless you find them easy to remember; examiners usually give rates nowadays. Only the definition of the controlled companies caught by section 21, Finance Act, 1922, should be learned at this stage, and, even later, only a skeleton of the procedure is really essential.
- (i) Go back and fill in more detail in what is now a good outline, and the picture begins to take shape.
- (j) Attention can now be paid to such aspects as: Appeals; error or mistake claims; P.A.Y.E.; treatment of tax in accounts; residence; repayment claims; bank interest; management expenses; initial and annual allowances for buildings; simple Dominion tax relief computations; and the "miscellaneous" chapter(s) in the book.

The above, coupled with plenty of practice in working problems from past examination papers, will give a surprisingly good general working knowledge of income tax in a very short time. It is well to remember that knowledge is often easiest acquired by trying to write about it; that is the reason for the insistence on working problems. If some practice in the office is also available, so much the better.

A good tutor is worth much, but the best teacher is the hard school of experience in applying what is taught.

Thirdly, how far back must the rates of tax, allowances, etc., be known? Here it is suggested that if the current and preceding year's rates etc., are known, that is as much as can be expected.

Interest of the Subject

Finally, it is reassuring to think that, with such a vast field to choose from, an examiner does not have to look for obscure points on which to ask questions.

Go to it and master the principles. If you do, many of you will become so interested on the subject that you will decide to specialise in one of the most interesting—and not least remunerative—aspects of the profession.

It may be depressing sometimes to sit at the feet of the "past master" of the subject, but bear in mind that he is seven years older than he was in 1939 and in seven years' time his mantle may easily be outshone by your own.

Taxation Notes

Interest on Tax Reserve Certificates

On more than one occasion, notes have appeared in these columns regarding the availability of the interest on Tax Reserve Certificates for the distribution of a non-taxable dividend on the lines of a capital distribution.

The position has now been clarified by decisions of the Special Commissioners that, owing to the special conditions attached to the interest, particularly that it can only be applied in payment of tax and cannot be taken in cash, the interest merely releases an equivalent amount of profits for distribution. Accordingly, any dividend purporting to be paid out of such interest is regarded as a dividend out of taxed profits, and must be grossed, and is liable to surtax, in the hands of the shareholders receiving it.

Unless and until a case goes to the Courts, the matter rests there, as the Special Commissioners do not normally depart from a decision if a similar case arises.

We must add that we still cannot see how the interest differs from a cash discount, except that it has statutory exemption from liability to tax, and it will be interesting to see the result if a company with such interest credited to profit and loss appropriation account ever distributes the whole of its profits. To gross the interest on tax reserve certificates would purport to arrive at a figure of profits that has never existed and never will exist.

Tax Reserve Certificates

Readers may care to be reminded that the rate of interest on tax reserve certificates remains at 1 per cent. on certificates dated prior to April 15, 1946, but on those dated thereafter it is $\frac{3}{4}$ per cent.

Profit Rentals of Requisitioned Premises

Where trade premises have been requisitioned for war purposes, or where redundant trade premises are let, the rent receivable sometimes yields a profit rental. In such a case, the profit rental is part of the profits of the trade for the purposes of E.P.T. Decisions of the Special Commissioners to that effect have now been fortified by the decision in *C.I.R. v. Broadway Car Co.*, (1946), T.R. 345.

"Mixed" Professions and E.P.T.

Hitherto, it has been accepted that in what are colloquially known as "mixed" professions, e.g., sur-

vveyors and estate agents, if the activities fall mainly on the commercial side, the whole profits are liable to E.P.T. This has received a shock in *Neild v. C.I.R.*, (1946), T.R. 371, where it was held that where £750 out of the net profit of £2,092 arose from activities that were professional, and the remainder from a "trade," the £750 ought to be deducted for the purposes of E.P.T. As the Revenue are unlikely to leave matters at this, it is unwise to build on the decision, but pending an appeal to a higher Court, it is wise to keep all open cases alive on this point.

Sur-tax—"Highest Part of Income"

An interesting conflict is likely to arise in those cases where a taxpayer comes within the provisions of the Acts where it is necessary to have regard to a slice of his income. This may arise where a direction is made on a member in the name of a controlled company under Section 21, Finance Act, 1922. Para. 8 of the First Schedule to that Act requires the income apportioned to the member to be deemed to be the highest part of his total income.

Again, the taxpayer who has made a settlement on children which is caught by Section 20, Finance Act, 1922, or Section 21, Finance Act, 1936, is entitled to recover from the trustees the tax chargeable on the income in question. Although the Acts do not refer to the highest part of the income, it is usual to have regard to it. Income treated as the income of the settlor under Section 38, Finance Act, 1938, however, is specifically regarded as the highest part of the income for the purpose of recovery from the trustees (para. 5 of Part I, Third Schedule, Finance Act, 1938).

Now we have another addition to the problem in the E.P.T. refunds provided by the Finance (No. 2) Act, 1945. Are these to be regarded as the highest part of the income?

We shall be interested to hear from any reader who has experience of the conflict. It is only really serious in the case of recoveries from trustees.

Sur-tax

We regret the drafting error in the note under this heading in our last issue. The reference to the Finance (No. 2) Act, 1939, should, of course, be to the Finance (No. 2) Act, 1945.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Excess Profits Tax—Avoidance or reduction of liability—Purchase of factory and other property for £4,000—Formation of three companies—Factory let to each of companies at rents aggregating £1,775—Direction by Inland Revenue partly discharged on appeal—Claim for further variation—F.A., 1941, Section 35; F.A., 1944, Section 33.

In *Ingham and Johnson v. C.I.R.* (K.B.D., May 30, 1946, T.R. 247), the scheme for avoidance or reduction of E.P.T. had whatever merit may lie in simplicity, although Atkinson, J., expressed the view that the appeal before him was "devoid of any merit whatever." I. and J. were two engineers who in 1940 had bought a factory, foundry, offices, plant and ten cottages from

B. for £4,000. It had been bought as and was intended to be a going concern. L. had an invention which he wanted to develop and he put £50 into the scheme. Three separate companies were formed and to each was let the factory and foundry, the rents therefrom being payable to I. and J., and deductible in arriving at the profits of the companies. The first company, Automotive, had a capital of £250, of which L. was allotted £50. Automotive was to pay £400 rent. The second company was Hope, with a capital of £200, all except two shares being shared equally by I. and J. Hope's rent was fixed at £250. The third company, Brittain, had a capital of £600—"really quite a big one," as the Judge remarked ironically—all save two shares being again shared equally by I. and J. Brittain's rent was fixed at £1,125. So, had the scheme prospered, there would have been three standards and deductible rents aggregating £1,775. Unfortunately for I. and J., the Revenue made a direction under Section 35 of F.A., 1941; but, in one respect, they acted generously, because they did not include the Automotive company. They directed that the E.P.T. liability should be computed on the basis that Brittain should be regarded as carrying on Hope in addition to its own business, and also as being the owner of the business premises. They further directed *inter alia* that the E.P.T. should be a joint and several liability of I. and J., and the three companies.

Upon appeal, the direction as to joint and several liability of the three companies, obviously inapt in the circumstances, was discharged; but the Special Commissioners had not said whose was to be the E.P.T. liability. The Judge said it must mean that Brittain was to be regarded as carrying on the business of Hope as well as its own. The only objection maintained before the Court was upon behalf of the Brittain company, and was that the direction should have been limited to its tax, although no objection would have been made if Brittain and Hope had been made jointly liable. Otherwise Brittain might be saddled with a liability which it could not discharge. This was dismissed contemptuously:

"The basis of this direction, however, is really this. It is all a put-up job—you two people control everything—and it is quite obvious that I. and J. did control everything—and you must adapt yourselves and make arrangements to meet the direction."

The real point in the case from the legal standpoint was the difficulty of interpreting the direction as revised by the Special Commissioners. Otherwise, the moral would seem to be that under Section 35 of F.A., 1941, as amended by Section 33 of F.A., 1944, the powers of direction are very wide, and the Court will not deem the terms inappropriate if the practical result is not so.

Schedule E—Service agreement under which manager of hotel entitled to wages, keep, and share of profits—Cancellation of agreement for lump sum—Whether any part assessable as remuneration and, if so, how to be determined—Income Tax Act, 1918, Schedule E, Rule 1; F.A., 1922, Section 18.

Carter v. Wadman (K.B.D., June 3, 1946, T.R. 255) was different from the usual run of compensation cases. Appellant was the resident manager of a licensed hotel under a service agreement, whereby he received £10 per week, his keep, and one-fourth of the profits as ascertained in accordance with the provisions of the agreement, which was to run from January 30, 1942, until June 24, 1949. Towards the end of 1942, the lessee of the hotel got into trouble with the lessors,

who, however, consented to her assigning the lease to another person. Under her agreement with the appellant she could not do this, and it was necessary to come to terms with him. In the end, appellant had agreed to accept £2,000, free of tax, "in full settlement of all past, present and future claims." At the time this settlement was come to, the share of profits of the appellant had not been determined, but when accounts were made up to December 31, 1942, it was found that he would have been entitled to £1,090, and this sum had been assessed as remuneration, and the assessment confirmed upon appeal by the General Commissioners.

For the appellant, it was argued that under *Du Cros v. Ryall* (1935, 14 A.T.C. 125, 19 T.C. 444), no part of the £2,000 was taxable; but Atkinson, J., pointed out that the sum there paid was by way of damages for repudiation of an agreement, whilst here there was no such dispute, and, under *Wales v. Tilley* (1943, A.C. 386, 25 T.C. 136), the amount was apportionable between capital and income. The Commissioners, however, had worked on the wrong lines. The apportionment should be as at the date of the cancellation. Then, the agreement had over six years to run, and was worth to the appellant about £2,000 a year. Having found the total value of the agreement, the £2,000 should be divided into two sums in which the £1,090 would be scaled down by reference to the proportion which the £2,000 bore to the total value of the agreement, "something like a dividend being paid where there has been an insolvency." He, however, pointed out the possibility that when appellant gave up his agreement, "he had another which was as good in his pocket," with the purchaser, in which case liability would attach to the whole £1,090.

The decision strikes one as an example of alert judicial wisdom.

Excess Profits Tax—Capital—Money not required for the purposes of the trade or business—Large sums on deposit and current account—Further large sum in easily realisable securities—Finance (No. 2) Act, 1939, Sections 13, 14 (2); Schedule VII, Part II, para. 3.

Thomas Roberts (Westminster), Ltd. v. C.I.R. (K.B.D., May 31, 1946, T.R. 251) was interesting in that it dealt with the vexed question of what should be the principle whereby to determine the amount of cash or its equivalent required for the purposes of a business. Appellant was a company supplying road materials to local authorities. It was a buyer of these upon a very large scale; but it also made a practice of acquiring land containing them in order to ensure supplies. These acquisitions from time to time involved heavy outlay and necessitated large cash reserves. Appellant had £18,000 upon deposit, a current account balance varying from £30,000 to £50,000, and over £40,000 in easily realisable securities. The Revenue had allowed for the money actually employed in the business, and also an estimated amount, to cover any commitments in the near future. The General Commissioners upon appeal had increased the Revenue figure by £5,000 for each of the years involved. Atkinson, J., at the commencement of his judgment, declared that all his sympathies were with the appellant. It was, however, a question of fact, and, although he himself "would have drawn the line somewhere more favourable to the trader," the case showed that the Commissioners had considered the precise question which the Act called upon them to consider, and their decision was therefore final.

The Judge's view upon the subject will, no doubt, be given due consideration by the Revenue, and also

by Commissioners, particularly in the light of the lessened purchasing power of money.

Income Tax and Sur-tax—Transfer of Assets abroad—Transfer to U.K. company—Transfer of residence of U.K. company abroad—Whether transaction caught by F.A., 1936, Section 18, as amended by F.A., 1938, Section 28—Whether liability under Section 18 restricted to income from assets transferred and not to the whole income of the company concerned.

Congreve v. C.I.R. (K.B.D., May 16, 1946, T.R. 207) was a case of many complicated transactions and differed from other elaborate sur-tax schemes in that it revealed a serious flaw in Section 18 of F.A., 1936, as amended by Section 28 of F.A., 1938. The Section in a preamble announces what it proposes to do and then in the operative parts shows how this is to be effected. Its object is to prevent the avoidance of tax by U.K. residents:

"by means of transfers of assets by virtue of or in consequence whereof either alone or in conjunction with associated operations income becomes payable to persons resident or domiciled out of the U.K."

But suppose that the transfer of assets is to a U.K. company resident in the U.K., and the company transfers its residence abroad. That was the position out of which the main question arose. The subsidiary question was whether, in regard to other transfers, to which the Section applied, the liability to tax extended to the whole income of the foreign company and not merely to the income arising from the transferred assets. The Special Commissioners had found in favour of the Crown upon all the points in the case; but Wrottesley, J., reversed their decisions upon the questions set out above.

The long and short of a very interesting analysis as regards the first question was that the avoidance of tax did not arise from the transfer of assets, but from the change of residence by the U.K. company, the particular manoeuvre not having been envisaged. Upon the second point, the Judge held that sub-section (4) of Section 18 deliberately authorised the Special Commissioners, and so the Court, to look at the substantial results of the transfer and associated operations, with the result that "the assets are not the whole income of the foreign company, but that part which is referable to the transferred assets." (The heading in the "Taxation Report" would appear to be in error as regards the Judge's finding upon the second issue, whilst for "assets" at the beginning of the last quotation "benefits" should apparently be substituted.)

Excess Profits Tax—Transfer of part of a trade or business—Manufacturing company selling entire output through second company—Sale by second company of that part of its business to the manufacturing company—Whether transfer of part of trade or business as a going concern—Finance (No. 2) Act, 1939, Section 16 (5).

C.I.R. v. Spirax Manufacturing Company, Ltd. (K.B.D., May 24, 1946, T.R. 221) arose out of the provisions of sub-section (5) of Section 16 of the 1939 Act:

"Where, on or after the 1st day of April, 1939, part of a trade or business is transferred as a going concern by the person theretofore carrying it on to another person,"

then each of the parts of the business is to be deemed to be a continuation. Up till 1931, W., a United Kingdom company, sold here goods manufactured by an American company. In 1931, the U.K. went off the gold standard and an agreement was come to between W. and the

main shareholder in the American company as a result of which the respondent company was formed to manufacture in the U.K., subject to royalties, the goods previously imported. Everything the respondent manufactured was sold by W. to whom the goods were sold at manufacturers' prices. There was no question of agency. It was a trading business, and the sale of respondents' goods represented three-fifths of W.'s profits.

In 1939, W. sold that part of its business dealing with the handling and sale of respondents' goods to the latter company, together with the goodwill, for £10,800, and handed over all books, documents, etc., relating to the business so sold. In addition, there was a large transfer of staff, which now ceased to do any buying, but merely sold. The Special Commissioners had found that there was a transfer within the sub-section of that part of W.'s business which consisted of selling respondent's products, and that the essential part, the sale of those products, was continued by the respondent. Atkinson, J., affirmed their decision.

The Revenue argument, put briefly, was that buying was an essential part of trading, and this had ceased. Profit was the difference between payments and receipts. His lordship, in effect, said the question depended upon whether the case was governed by *Laycock v. Freeman, Hardy and Willis, Ltd.* (1939, 2 K.B. 1, 22 T.C. 288), or by *Briton Ferry Steel Co., Ltd. v. Barry* (1940, 1 K.B. 463, 23 T.C. 414). In the former case, the businesses of certain subsidiary companies was held to have ceased on amalgamation, whilst in the latter it had been held that there was succession. In holding that sub-section (5) applied, he pointed out that W. had done no real buying, the goods coming in at a certain price; and all that W. had to do was to sell what respondent placed at its disposal. Although, technically, there was no agency, W. regarded itself as really the selling agent. The real business was selling, and that had been handed over and was carried on as before.

One interesting feature of the judgment is the comment upon the *Freeman, Hardy and Willis* judgment of the Master of the Rolls, in which the latter had expressed the view that whether or not a succession had taken place was really a question of fact.

"It would be a very easy way out for me to say: 'Well, it is a question of fact.' . . . But, where all the facts are found, and they raise a question of principle, I should have thought the question was in truth a question of law."

The late Lord Justice Scrutton declared it was impossible to reconcile the authorities on the division between fact and law, and, apparently, this division of opinion still persists.

Books Received

- The Death Duties.** By Robert Dymond. Tenth edition. (Solicitors' Law Stationery Society, Ltd., London. Price £2 15s. net.)
- The Law and Practice as to Receivers.** By the late W. W. Kerr, M.A., Barrister-at-Law. Eleventh edition by F. C. Watmough, B.A., Barrister-at-Law. (Sweet & Maxwell, Ltd., London. Price £1 5s. net.)
- Guide to Company Balance Sheets and Profit and Loss Accounts.** By Frank H. Jones, F.L.A.A., A.C.I.S. Second edition. (W. Heffer & Sons, Ltd., Cambridge. Price 12s. 6d. net.)

FINANCE**The Month in the City****A 2½ per cent "Irredeemable"**

The Chancellor of the Exchequer's decision to repay Local Loans on January 5 next year has been the outstanding City event of the past month. The decision is far from surprising, for during the whole of the period of the cheaper money drive which Mr. Dalton inaugurated more than a year ago, 3 per cent. Local Loans have stood out as an anomaly—and never more so than during the recent string of conversion issues of 2½ per cent. 25-year local authority stocks. But what has taken the City's breath is the new 2½ per cent. Treasury Stock which Mr. Dalton has devised partly to take the place of Local Loans. This new stock will carry no fixed redemption date, but will be repayable at the Government's option from April 1, 1975. It is a one-way option stock, in other words, which provides 2½ per cent. for 29 years, with the chance that at some date thereafter, the rate may be reduced if the Government can do so. By this step, Mr. Dalton has endeavoured, not merely to match, but handsomely to surpass, the achievement of Goschen in his handling of the National Debt. The Chancellor has affirmed with pride that the new issue provides a landmark; for the first time in history the Government are able to issue for cash at par a 2½ per cent. irredeemable security. On this news, the Consols market made a vigorous response, and there was naturally a good deal of switching into dated issues which plainly give the investor the security of a fixed term of redemption. But the response to the new "tap" issue will be significant. There is no theoretical doubt that Mr. Dalton can, under present conditions, and with present systems of control, impose broadly any rate of interest on the market. In his own word, he "commands." Yet the average City comment is that on this occasion he has stretched the absorptive power of the market to the very limit. There will doubtless be considerable support for the new "tap" loan from the Government Departments to replace their, presumably, substantial holdings of 3 per cent. Local Loans. What has yet to be seen is whether the ordinary investor has been so conditioned by cheap money that he is willing to follow Mr. Dalton the whole way on this occasion.

Fluctuating Equities

But for the threat of the coal famine this winter, it is clear that the Chancellor's announcement would have been the signal for an even greater buying movement in industrial equities. At first support was only partial, but search for yield has spread into the high-grade equity market, as investors have watched gilt-edged yields fall to 2½ per cent. on undated stocks and 2½ per cent. on dated issues. The market fell on the further reactions on Wall Street earlier in the month, and failed to pick up when Wall Street staged a convincing rally. Coal, and the threat of developing shortages in other directions—such, particularly, as steel and timber—is causing much recalculation about the progress of reconversion during the coming months, and of the consequences which shortages and interruptions of supply may have upon industrial earning power. The decision of Enfield Cables to cut their interim dividend on this ground has carried more weight than the numerous instances of increased dividend distributions in recent weeks. The *Financial Times* ordinary share index has staged a useful recovery from its low point of 118.4 on October 3 to 125.4 on October 25. The past month's decline has been accompanied by much loose—and perhaps not always disinterested—talk about a forthcoming slump in equities on the 1921 model. Supporters of this theory do not explain how such a slump is likely to occur amid

prevailing conditions of shortage and unsatisfied demand. But there may be some partial support for the view that the coming winter may reveal fairly severe local pockets of unemployment as a result of shortage of fuel and other essential raw materials. Thus, although equities have shared in the recovery which the Chancellor's announcement of the new Treasury Stock has induced in the gilt-edged market, the recovery represents little more than a technical adjustment, and not a revision of view about industrial prospects in the short-run. Fluctuating market conditions, therefore, are likely to prevail for some months to come in the ordinary share market.

End of Silver Coinage

Under Lend-Lease, Britain (and also India) is bound within five years of the end of the "emergency" to return to the United States the substantial quantities of silver which were borrowed during the war. In Britain's case, this involves repaying 88 million ounces of silver in kind. To buy any such quantity on the open market, even if it were possible, would drive the price far higher than the present level of 4s. 7½d. per ounce—it was about 2s. 2d. in 1939—and the Government's decision to obtain the supplies by calling in the present "silver" coinage is, without question, the right solution. Some 20 million ounces will be withdrawn annually from circulation for some years to come; it will yield a gross profit of £50 million, and a net profit of £30 million after deducting the value of silver returned to America.

To represent this policy as a debasement of the coinage, as some critics have done, is to strain at language. The value of the subsidiary coinage is determined not by its value as a commodity, but by its exchange value as a restricted medium of circulation. The Government intends, for the time being at any rate, to replace the withdrawn coinage by a cupro-nickel alloy, but a considerable body of evidence has been recently published which strongly suggests that a nickel coinage would have greater advantages. The Government have not rejected these contentions, but the Mint does not appear at present to have the necessary machinery for pressing nickel coins. One thing at least is certain: the demonetisation of silver in this country and in India will in the long run be a serious blow for silver. The policy pursued by the silver senators in the United States may well recoil upon them before many years have passed.

Free Market in Rubber ?

As an illustration of the resilience of a commodity to regain something like normal supplies, and thus to confound the predictions and plans of those Governments who sought to control it, the recent history of rubber is a valuable object-lesson. The controversy of the past month about rubber need not be entered into here in any detail, but the upshot of the situation is that the Board of Trade finds itself holding stocks of about 100,000 tons (which it can only dispose of at some considerable loss); that the price fixed last June for the rest of this year has turned out to be quite unrealistic, and has been sharply lowered; and that the necessity for a resumption of free dealings in rubber has received greater emphasis by these simple economic phenomena than any amount of theoretical discussion about the relative merits of Government contracts and bulk purchase on the one hand, and organised free markets on the other hand. From January 1 next, entrepôt trade in rubber will be permitted and a much-delayed statement on the future of the rubber market is in preparation by the President of the Board of Trade.

Points from Published Accounts

United Dairies

Of recent years United Dairies has followed the avowed practice of bringing into its accounts only sufficient revenue to meet its recommended dividend payment, leaving the balance of profit to its subsidiary companies. This method had severe disadvantages for shareholders so long as the accounts were restricted to a statement of the company's own affairs, and these disadvantages were not altogether overcome when a consolidated balance-sheet of the subsidiaries was published, as a separate document, for the first time. It is not everybody who can work out from such a statement the value of net fixed assets attributable to the parent's investments in the subsidiary. The company has now gone a stage further by appending a balance-sheet combining the assets and liabilities of the group as a whole. One interesting point is the appearance of a suspense account of £210,900, shown on the liabilities side, described as "arising through combining balance sheets of different dates (being net balances on inter-company transactions during the three months to June 30, 1946)." The directors explain that to have synchronised the closing dates of the accounts of the parent company and those of the subsidiary companies would, under existing taxation laws, have involved the group in considerable additional taxation. The group statement might have been made more informative by presenting the position in greater detail: there are, for instance, bare entries of £3,092,621 for goodwill, £4,288,472 for fixed assets, and £7,880,957 for current assets. By referring to the balance-sheets of the parent company on the one hand and the subsidiaries on the other, the shareholder can ascertain how each of the broad groups is composed; but it would have been easy to have spared him the necessity of doing this.

Renold & Coventry Chain

A complicated position is dealt with in the accounts of Renold & Coventry Chain. The trading profit of £182,875 is shown after charging abnormal expenses amounting to £15,054 to contingencies account and including the trading results of subsidiaries during the year. In addition there are credits of £65,000 for E.P.T. recoverable and of £10,000 for income tax over-provided last time. But £29,637, representing the amount of the undistributed profits of the subsidiaries for the year, is transferred to contingencies account, these profits being subject to restrictions on transfer to the United Kingdom. The contingencies account has, moreover, been debited with £52,219, which has been applied in writing-down interests in subsidiaries. This reduces to nominal amounts the interests in the German company, whose business was liquidated by the authorities in that country in 1941, and provides for the aggregate net losses of the other companies for the six years ended July 1, 1945. In addition, since the subsidiaries are now clear of war risks, the directors have transferred £100,000 from contingencies account to the general reserve, and they consider that the balance of £131,259 (against £246,053 a year ago) remaining in the account contains a sufficient provision to meet any further revaluation of the interests in subsidiaries which may be necessitated by changed conditions on the Continent. A comprehensive view of these various transactions can

only be obtained by close study of the balance-sheet, the profit and loss account, the statutory statement under Section 126 and the directors' report. Shareholders would have been saved the task of piecing the items together for themselves had there been a separate statement of debits and credits to contingencies account.

United Gas Industries

The prime figure in the profit and loss account of United Gas Industries is a surplus of £102,077, described as "trading profit of one subsidiary and dividends from other subsidiaries." Although there is no cross-reference to the directors' report, that statement amplifies the profit and loss showing very importantly, for it intimates that £19,440 of the year's profits have been retained in the subsidiary companies. The net interests in these concerns are brought into account at £694,152. It is specially unfortunate that there is no consolidated balance-sheet to elucidate the backing in net tangible assets for this item, for the appearance of fixed assets at a net figure of £134,127 indicates that part of the assets operated by the subsidiaries are held direct by the parent, while an entry of £244,730 for patents and goodwill naturally raises the question whether similar items may not be included, in effect, in the valuation placed upon the interests in subsidiaries.

British Homophone

Out of the British Homophone Company's balance-sheet total of £132,382, as much as £104,154 is represented by interests in the wholly-owned subsidiary, Ebonestos Industries. The report shows that this concern incurred a loss of £4,524 in the year to March 31, 1946, as compared with a surplus of £20,996 earned by the parent company. As well as the combined profit of £8,576 there is an E.P.T. deficiency relief of £13,400, so that after paying £9,780 in income tax there is a credit balance of £12,196. It is not possible, however, to reconcile this result with the figures given in the parent's profit and loss account, and it would have been preferable to have had a formal consolidated profit and loss statement. Another defect is the omission of a group balance-sheet, all the more worthy of remark in view of the contrast between the trading loss suffered by Ebonestos Industries and the preponderance of the interests in that company in the parent's balance-sheet.

International Chamber of Commerce

The Economic and Security Council of the United Nations has granted the application of the International Chamber of Commerce for consultative relationship in the highest category (Category A). The International Chamber is thus placed on the same basis as the labour organisations already appointed, and will be able to designate representatives as observers to all public meetings of the Council, to consult on appropriate subjects with the Council and its standing Committees and Commissions, and to receive facilities from the Secretariat of the United Nations for circulating statements and suggestions and arranging interviews and informal discussions.

LAW**Legal Notes****COMPANY LAW**

Capital distribution out of realised capital profits—Whether capital or income of trust funds.

In *Re Doughty* (1946, 2 All E.R. 341), by his will the testator gave "the net income" of his residuary trust funds, which included shares in a certain company, to his widow for life with remainders over. Article 102 of the company's articles dealt with the dividend rights of the different classes of shareholders and the proportion in which any further profits should be divisible. Between the date of the will and the testator's death in March, 1941, the company adopted Article 104A, which enabled the company "for the purpose of carrying out its obligations under Article 102," to divide among its members "by way of capital distribution" "any surplus capital moneys or capital profits in the hands of the company, whether arising from the realisation of capital assets of the company or represented by shares or other property received as consideration or part consideration for the sale or realisation of any capital assets of the company or any investments representing any such surplus moneys as aforesaid." On February 26, 1946, the company passed a resolution "pursuant to" Articles 102 and 104A, for the distribution, out of realised capital profits, of £99,100 as "an additional dividend or distribution" "in respect of the year ended December 31, 1945." As a result of this resolution, certain sums became payable in respect of the shares included in the testator's residuary trust funds. The question for determination by the Court was whether these sums were part of "the net income" of the trust funds or accretions to the capital thereof. It was contended on behalf of the widow that the sums in question must be treated as income, because (a) the form of the resolution showed that the company had not purported to make a capital distribution, and (b) the company had no power to make such a distribution. Roxburgh, J., held: (1) Upon the true construction of the resolution of February 26, 1946, the company had purported to make a capital distribution out of realised profits; (2) the article authorising a capital distribution was effective, and the payments made pursuant thereto were not part of "the net income" of the trust funds, but were accretions to the capital thereof.

EXECUTORSHIP LAW AND TRUSTS

Settlement—Transfer to settlor's executors after her death.

It had been decided in 1924 that a condition in a will may be complied with by executors after the time fixed by the testator, where time is not of the essence. That principle was applied by Roxburgh, J., in *Re Sage's Settlement Trusts* (1946, 2 All E.R. 298), which the Judge described as "a case of difficulty." By a settlement dated October 26, 1926, the settlor directed that the income of certain funds should be paid to T.S. after the execution by T.S. of transfers into the settlor's name of certain shares (all of which were marketable securities) which were then in the joint names of the settlor and T.S. After the death of T.S., and also during her life until she should execute and deliver the said transfers, the trust funds were to be held on other trusts, but there was no resulting trust in favour of the settlor. The settlor died in 1942, by which date the transfers had not been executed. The question to be determined was whether T.S. might now execute the transfers into the names of the settlor's executors. It was contended on behalf of the other beneficiaries that the transfer was intended to be personal to the settlor, and that the condition could not, therefore, be satisfied

by a transfer to his executors. Roxburgh, J., said that in the absence of guidance from text-books or authorities he would apply the principle laid down by Romer, J., in *Re Goodwin* (1924, 2 Ch. 26). He held, therefore, that upon the true construction of the settlement, the act of transfer was not intended to be personal to the settlor. A transfer to the settlor's executors would have the effect which the settlor intended, and would be a sufficient compliance with the condition in the settlement.

Wills—Soldier's will—Lost will—Admissibility of secondary evidence.

It has long been recognised by the legislature that in the case of wills made by soldiers on active service, technicalities can be dispensed with. In *Re The Estate of Macgillivray* (1946, 2 All E.R. 301), Scott, L.J., in a dissenting judgment in the Court of Appeal, expressed the view that the principle should be extended by the admission of secondary evidence of such wills. M., a soldier on active service, made an informal soldier's will in his army service book between November 13 and 22, 1942. The will was witnessed by R. and M. discussed the contents with R. R. did not read the will, but M. told him that it contained the following provisions: (a) that his fiancée, Miss S., and the testator's son should be the beneficiaries; (b) that Miss S. should be amply provided for; (c) that Miss S. and his uncle should be trustees for the son until he came of age. On December 2, 1942, M. wrote a letter to W., the managing director of a company in which M. had a substantial interest. The letter was mainly concerned with directions regarding the conduct of the business, but it also said: "In the event of my being killed in action, I wish you to administer the business for my heirs, i.e., my son and Miss S.—All my personal debts will be settled by you from the business.—My son's education will be Miss S.'s responsibility, and will be paid for through the business." In September, 1943, M. was drowned at sea when the troopship in which he was travelling was sunk by enemy action; at the same time his army service book was lost. W. and Miss S. applied to the Court to admit to probate as M.'s last will (a) the letter of December, 1942, or (b) the will made in the army service book and reproduced according to the recollection of R., together with the letter of December 2, 1942.

The Court held: (i) upon the true construction of the letter, there was no testamentary intention, because (a) M. had already executed his will; (b) the letter was purely a business letter and the paragraph was limited to giving instructions about the business. It could not, therefore, be admitted to probate as a testamentary instrument; (ii) statements by M. to R. after the execution of the will were inadmissible to prove its contents; (iii) [Scott, L.J., dissenting] the evidence of R., supplemented by the reference to Miss S. and the son as heirs in the letter, did not afford sufficiently cogent evidence of the contents of the will written in the service book. The will could not, therefore, be admitted to probate.

Bequest of shares in company—Issue of bonus shares—Shares sold by testator to another company.

In *Re O'Brien* (1946, W.N. 175), the testator, by his will made in 1936, directed his trustees to hold 5,200 of his shares in the K.M. Co., Ltd., or such shares and cash as might be allotted or transferred to him or his trustees in any company with which the K.M. Company might be amalgamated or to which its assets might be sold or transferred, upon trusts differing from those affecting his residuary estate. At the date of his will

the testator held 6,200 ordinary shares, and shortly afterwards received 10,325 bonus shares representing undivided profits. In 1939 all the ordinary shares of £1 were divided each into four preferred shares of 4s. each and one deferred share of 4s., and the testator agreed to sell all his preferred ordinary shares to another company, W.I.T., Ltd., but with an option to repurchase a number of them, which he exercised. At a later date the testator sold 6,000 of his ordinary deferred shares to the same company. He died in 1944, and the summons was taken out by the trustees. Roxburgh, J., held that the bonus shares did not pass under the bequest. He also held that there was no redemption and that the ordinary shares could be traced through the reorganisation. It was impossible to identify the actual shares sold, but there was a presumption that the shares disposed of to W.I.T., Ltd., were selected rateably from the two blocks respectively.

Incorporated Accountants' Golfing Society

The first meeting of the Golfing Society since July, 1939, was held on October 16 at Moor Park. Sixteen players, of whom five were visitors, took part in a four-ball competition in the morning on the High Course. A medal round was played on the West Course in the afternoon. The weather was good, and the courses were in excellent condition, although playing very long.

The results were as follows:

Four-Ball Competition: W. E. T. Cole and A. J. H. Watson, 3 down; B. Barnes and R. W. MacGillivray, 4 down.

Medal Round: *R. W. MacGillivray, 83—2=81 (won on last 9 holes); *W. E. T. Cole, 89—8=81; A. J. H. Watson, 91—8=83.

* Visitors.

BUSINESS MEETING

After the day's play a business meeting was held. It was decided to re-constitute the Society, as a considerable amount of enthusiasm had been shown for this course.

The following were elected to the Committee: Mr. B. Barnes, Mr. C. C. Downing, Mr. F. C. A. Gorst, Mr. P. F. Keens, Mr. A. Whatley.

Mr. H. Townsend was elected Captain, and agreed to act as secretary (*pro tem.*), pending the return of Mr. B. L. Clarke-Lens from overseas.

It was resolved that the annual subscription be 10s. 6d., but that articulated clerks and students should be exempt from payment.

The meeting gave a general direction to the Committee to try to arrange a normal programme for 1947 with a spring meeting at Wentworth or another Surrey course; a summer week-end meeting at Woodhall Spa; and an autumn meeting at Moor Park in September. The hope was also expressed that the annual matches with the Solicitors' and Scottish Chartered Golfing Societies might be resumed. The secretary was instructed to write to the Moor Park Club, thanking the club for the excellent arrangements made for the meeting, and requesting a further date in September, 1947.

Courses for the Society's Examinations

We are advised that courses and lectures in preparation for the examinations of the Society of Incorporated Accountants and of other accountancy bodies are being held at the City of London College, Moorgate, E.C.2, and at the following Commercial Institutes of the London County Council: Highbury Commercial Institute, Laycock School, Laycock Street, Upper Street, N.1; Upper Hornsey Road Commercial Institute; Clapton Commercial Institute; and North London Commercial Institute, Princess May Road, Stoke Newington Road, N.16.

The Board of Inland Revenue announce that the Conjoint Office (United Kingdom and Eire Revenue Departments) of the Inspector of Foreign and Colonial Dividends has returned from Llandudno, and the address is now Brettenham House, Lancaster Place, Wellington Street, Strand, W.C.2.

The Emergency Acts and Orders

These summaries of emergency enactments and Orders have been published in ACCOUNTANCY since the beginning of the recent war. They are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

DOUBLE TAXATION RELIEF

No. 1327. *Double Taxation Relief (Taxes on Income) (U.S.A.) Order, 1946.*

No. 1331. *Double Taxation Relief (Taxes on Income) (U.S.A.) Regulations, 1946.*

No. 1351. *Double Taxation Relief (Estate Duty) (U.S.A.) Order, 1946.*

Nos. 1327 and 1351 bring into effect the Conventions between the United Kingdom and the United States for the avoidance of double taxation, and the text of the Conventions is set out in Schedules to the Orders. No. 1331 relates to U.S. dividends and the withholding of U.S. tax of 15 per cent.

(See ACCOUNTANCY, August, 1946, page 251; September, page 276; and October, page 299.)

EXPORTS

No. 1473. *Export of Goods (Control) (No. 3) Order, 1946.*

Amendments are made in the list of goods subject to export control.

(See ACCOUNTANCY, August, 1946, page 262.)

FINANCE

No. 1383. *Regulation of Payments (General) Order, 1946.*

Existing Regulation of Payments Orders are superseded. The Order now covers payments for exports to all countries outside the sterling area. Certain transfers of sterling are permitted on account of residents in Austria, Hungary, Bulgaria, and Rumania.

No. 1384. *Defence (Finance) (Definition of Sterling Area) Order, 1946.*

Transjordan is now included in the sterling area by name in view of its independence.

(See ACCOUNTANCY, August, 1946, page 262.)

INCOME TAX

No. 1309. *Post-War Credit (Income Tax) Regulations, 1946.*

August 7, 1946, is the prescribed date for repayment of certain post-war credits under Section 26 (1), Finance Act, 1946. An applicant must state the number of his old age pension book or identity card and produce other evidence as required.

(See ACCOUNTANCY, June, 1946, page 184.)

INSURANCE

No. 1361. *Assurance Companies (Balance Sheet Certificate) Regulations, 1946.*

No. 1362. *Assurance Companies (Withdrawal of Deposits) Rules, 1946.*

No. 1363. *Industrial Assurance (Withdrawal of Deposits) Rules, 1946.*

Forms of certificates and other procedure are prescribed in accordance with the provisions of the Assurance Companies Act, 1946.

(See ACCOUNTANCY, December, 1945, page 47.)

Society of Incorporated Accountants

EXTRAORDINARY GENERAL MEETING

Wednesday, October 23, 1946

Proposed Increase in Subscriptions

The President of the Society, Mr. Fred Woolley, J.P., F.S.A.A., said:

I have to thank the members of the Society for coming together again at an extraordinary general meeting to consider on this occasion a matter of domestic importance. There has been placed in your hands a letter from me indicating the circumstances under which the Council invite the members to approve an increase in subscriptions to the Society, commencing with the year 1947.

My letter has set forth the general considerations and some particular items, and they call for but little elaboration.

Past Income and Expenditure

Since the Society occupied Incorporated Accountants' Hall the Council has been able each year to show in the accounts a surplus of income over expenditure. In addition provision has been made for a reserve for the redemption of debentures issued in connection with the purchase of Incorporated Accountants' Hall.

During the war years our revenue inevitably fell in consequence of a large number of members, articulated clerks and examination candidates serving with His Majesty's Forces. On the other hand, our expenses were reduced partly by the contraction of normal activities and by the fact that our staff, working under difficult conditions, was at a minimum. Against these savings, special activities in connection with the war to which my predecessors referred in previous speeches were undertaken. In 1945 we were able, despite considerable post-war expenditure, to realise a small surplus, but this was before making provision for the usual contribution for debenture redemption. It is clear, however, that for 1946 and subsequent years the present basis of revenue is wholly inadequate to meet requirements, and I must tell you there will be a fairly large deficit for the current year. A large part of this deficit will be accounted for by the cost of Refresher Courses which, with the support of the whole Society, we gave for our ex-Service members, and which were successful from every point of view. Although this is a non-recurrent item, other expenses of much greater dimensions must accrue in the immediate and near future.

Future Finances

In making provision for this situation we have to take a reasonably long term view. Every item in the Society's expenditure other than debenture interest is affected by the general rise in prices. The considerable expansion of the Society's work has demanded corresponding increase in staff above the pre-war level, and I need not tell you that the level of salaries also is much above pre-war figures. Activities in the District Societies have been resumed or considerably extended. I have had the pleasure of visiting a number of District Societies and am impressed with the progress they have made in their post-war work, which must be of ever-increasing scope and value in fulfilling the objects of the Society. To this end, we wish to give them as much financial support as is possible. Though not practicable at present, we look forward to the time when we shall hold conferences in the provinces. An important feature of the Society has been its Year Book, and it is with regret that we were compelled to suspend publication during the war. We are having a Year Book for 1947,

and its cost is likely to be about three times the pre-war figure.

The serious damage to Incorporated Accountants' Hall has presented us with special difficulties. We are still hoping to find emergency accommodation so that the plans for the restoration of Incorporated Accountants' Hall, prepared by Sir Percy Thomas, may, immediately the consent of the proper authorities has been obtained, be put into effect. This work cannot be commenced until the administration has removed elsewhere.

Future Developments in the Society's Work

Some of these developments have already been started with the consent of the members. It is inevitable that they will cost money. You have already been informed of the progress made with co-ordination and of the prospect of a Bill, approved by all the qualifying bodies, being introduced into Parliament. The scheme which the principal accountancy bodies have formed with universities in England and Wales calls for a grant from the Society of £1,000 per annum. This expenditure will bear fruit to the great benefit of the Society in years to come, and I look forward to the extension of this scheme in other directions. I have already referred to the Refresher Courses which we held at Oxford and Cambridge for ex-service members. Before the war we had held three Refresher Courses of short duration for members. I consider that these Courses are a most useful feature of activity and are appreciated. Though we shall not hold another Refresher Course exclusively for ex-Service members, we consider that Refresher Courses open to members of the Society should be held at regular intervals. The members who attend will be asked to pay a moderate fee, but naturally there will be some charge on the Society's funds. The Research Committee of the Society has already demonstrated its usefulness, and it will in due course produce further publications which I have confidence will meet with the same measure of success as "Design of Accounts."

This is a brief general review of the work we have in hand, and it is obvious, I think, that as time goes on new forms of activity will present themselves, and they will, of course, involve a charge upon our revenue.

Augmentation of Revenue

Having taken into account all relevant factors, it is clear to the Council that the Society must have an increase in revenue of about £10,000 per annum. Roughly, this represents an increase of 33½ per cent. on the pre-war income. In the light of all the circumstances this seems not inordinate. It will of course be appreciated that the only source from which this additional revenue can be derived is the subscriptions of members.

After full consideration, your Council came to the conclusion that the most equitable method of raising the £10,000 per annum was to increase present subscriptions in all categories of members in the United Kingdom and Eire by 50 per cent. The subscriptions of Associates overseas are asked to be increased from 10s. 6d. to one guinea, and of Fellows overseas from one guinea to two guineas. I have every confidence that the proposals recommended by the Council will be readily accepted by the members generally.

I now have pleasure in moving the resolutions as set forth in the notice convening the meeting, and I will ask my Vice-President to second the motion.

The Vice-President, Sir Frederick Alban, C.B.E., formally seconded the resolution, and the meeting was declared open for discussion.

Discussion

Mr. V. Hogwood (London) said that members not in practice had paid their subscriptions in the past in the belief and knowledge that they could practise if they wished to do so. It was his contention, however, that this right was to be taken away by proposed legislation, and in the circumstances he considered that members not in practice should not be asked to agree to an increase in subscriptions. He accordingly moved an amendment that the subscriptions of Fellows and Associates not in practice should remain unchanged.

Mr. A. M. Bothwell (London), in seconding this amendment, said that if more comprehensive library facilities could be made available, it would be of great benefit to many members. He personally supported the amendment, but if increased library facilities were in fact provided, then, in his view, the increased subscriptions would in some degree be justified.

Mr. D. F. Goode (London) supported the views of the Council, and pointed out that the proposed increases were trivial when weighed against the benefits which members derived from the high prestige of the Society.

Mr. D. R. Matheson (Glasgow) said the Council of the Scottish Branch had recently met for an informal discussion on this subject. Although they were not all practising members, all were in favour of the proposed increases in subscription.

Mr. E. Ewart Pearce, M.B.E. (Cardiff) said that there had been unanimous support for the Council's proposals at a large and well-attended meeting of the South Wales District Society.

Mr. E. Cassleton Elliott (Chairman of the Finance Committee) promised to examine the question of improving the library facilities. There were difficulties, as the Hall had been badly blitzed, but the matter would not be forgotten. He reminded the meeting that all members were Associates before they could become Fellows: an Associate to-day might be a Fellow in the future, and perhaps a member of the Council. All the money which the Society received was very carefully expended having regard to the prestige and the future interests of members, and the revenue from the proposed increases would be expended for the benefit of the Society as a whole, and not on behalf of one section of it. On that understanding he appealed to the proposer and seconder of the amendment to withdraw it.

Mr. L. Tate (London) declared that members in practice derived many more advantages from the Council's activities than members not in practice. Moreover, subscriptions of practising members were normally a charge against their accounts on which they could get income tax rebate. This at the present time had the effect of reducing their subscriptions to the same figure as those proposed for members not in practice. He thought it was wrong to hold such a meeting as this at a time when many non-practising members could not possibly attend. He urged that there should be greater representation of non-practising members on the Council, and in conclusion criticised the wording of the amendment, which, in his opinion, should have been to the effect that the Finance Committee should be asked to reconsider their proposals with a view to arriving at an alternative suggestion which would not involve increases in the subscriptions of non-practising members.

Mr. F. J. Locke (Surbiton) said he thought he was the only member not in practice who had not spoken at the meeting, and he wanted to make it quite clear that he was prepared to pay his subscription for the benefits which he received as a member of the Society. He was wholly in favour of the proposals.

Mr. A. M. Bothwell (London) said that as seconder of the amendment and in response to the request of the Council, he was perfectly willing to withdraw. He had not in any way intended to disparage the efforts of the Council, or to show lack of confidence in them.

The President's Reply

The President said that the fundamental policy of the Council was to improve the status of the Society, and this was bound to benefit every one of its members. The activities of District Societies were intended for the benefit of members, but in many cases members failed to take advantage of the facilities offered. It was, of course, a sound principle that there should be a variation of subscription between practis-

ing and non-practising members, and it did not in any way rest with the Society whether a member, once qualified, went into practice or not. On the question of tax allowance, it was unfortunate that there was a case on record in which the decision was unfavourable. This was, however, a grievance which it was not in the Society's power to remove, although they would be only too glad to make what representations they could. Co-ordination was not supposed to be a subject for discussion at this meeting, but he would mention that all the points raised were being taken into consideration.

Mr. A. V. Hussey (London) said he was wholeheartedly in favour of the Council's proposals. He had, however, no idea what the majority of members thought about the matter, since many of them obviously had not been able to attend. He suggested, therefore, that a proxy form might be sent out with the notice of any similar meeting in the future.

The President in reply stated that in his view proxies were usually asked for by those who were afraid of what the outcome of a particular issue would be. The Council were most anxious to show their full confidence in members, and, therefore, they had no need to ask for proxies in their favour.

Mr. J. E. Huggins (Wallington) said the cost of such items as Refresher Courses should be paid for out of capital so that members would know that those of them who had not been in the Forces were actually paying for them.

The amendment was then put to the meeting, and on a show of hands was lost. Only two members voted in favour.

The Resolution

The following resolution was passed as a special resolution: That the Articles of Association of the Society be altered in manner following, that is to say:

- (1) By deleting the definition of "The United Kingdom" in sub-paragraph (b) of the Interpretation Clause immediately preceding Article 1, and substituting therefor the following:

"(b) 'The United Kingdom' means Great Britain and Northern Ireland."
- (2) By deleting that part of the existing Article 22 down to and including sub-paragraph (f) ending with the words "in any individual case", and substituting therefor the following provisions, namely:

"Article 22. The following annual subscriptions shall as on and from January 1, 1947, be paid by members:

MEMBERS IN PRACTICE

- (a) London members in practice, being Fellows, shall pay a subscription of £9 9s. 0d., or, being Associates, shall pay a subscription of £6 6s. 0d.
- (b) Provincial members in practice who are resident or in practice in the United Kingdom or Eire, being Fellows, shall pay a subscription of £7 17s. 6d. or being Associates, shall pay a subscription of £4 14s. 6d.
- (c) Members in practice who do not reside or practise in any part of the United Kingdom or Eire, being Fellows, shall pay a subscription of £2 2s. 0d., or being Associates, shall pay a subscription of £1 1s. 0d.

MEMBERS NOT PRACTISING

- (d) Members resident in any part of the United Kingdom or Eire, who are not in practice, being Fellows, shall pay a subscription of £6 6s. 0d., or being Associates, shall pay a subscription of £3 3s. 0d.
- (e) Members resident out of the United Kingdom or Eire, who are not in practice, being Fellows, shall pay a subscription of £2 2s. 0d., or being Associates, shall pay a subscription of £1 1s. 0d.

MEMBERS IN RETIREMENT

- (f) A member of not less than 55 years of age who has been a member for at least 25 years, and who has, with a view to permanent retirement, retired from professional work or business, and who shall have given the Council proof of his age and retirement, shall, being a Fellow, pay a reduced subscription of £2 2s. 0d., or being an Associate, pay a reduced subscription of £1 1s. 0d., so long as such retirement shall continue. Provided that the Council may from time to time vary the conditions (other than the amount payable under this sub-section) in any individual case."

The effect of the resolution is shown in the following table :

Class	Present			Proposed		
	Subscriptn.			Subscriptn.		
	£	s.	d.	£	s.	d.
Fellows in practice in London	6	6	0	9	9	0
Associates in practice in London	4	4	0	6	6	0
Fellows in practice in the Provinces...	5	5	0	7	17	6
Fellows in practice in Scotland and in Ireland						
Associates in practice in the Provinces	3	3	0	4	14	6
Associates in practice in Scotland and in Ireland						
Fellows in practice Overseas	1	1	0	2	2	0
Associates in practice Overseas	0	10	6	1	1	0
Fellows not in practice in the United Kingdom or Eire	4	4	0	6	6	0
Associates not in practice in the United Kingdom or Eire	2	2	0	3	3	0
Fellows not in practice Overseas	1	1	0	2	2	0
Associates not in practice Overseas	0	10	6	1	1	0

A vote of thanks to the President was proposed by Mr. L. Tate (London), seconded by Mr. J. W. Richardson (Sheffield), and carried by acclamation.

COUNCIL MEETING

Present: Mr. F. Woolley, President (in the chair), Sir Frederick Alban, C.B.E., Vice-President, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. E. Cassleton Elliott, Mr. Walter Holman, Sir Thomas Keens, D.L., Mr. D. R. Matheson, Mr. A. E. Middleton, Mr. Bertram Nelson, Mr. Richard A. Witty, Mr. R. E. Yeabsley, C.B.E., Mr. A. A. Garrett (Secretary), and Mr. I. A. F. Craig and Brigadier C. H. Tidbury (Assistant Secretaries).

Apologies for non-attendance were received from: Mr. John Ainsworth, Mr. C. P. Burrowcliff, Mr. Robert Bell, Mr. M. J. Faulks, Mr. Alex. Hannah, Mr. C. A. G. Hewson, Mr. James Paterson, Mr. T. Harold Platts, Mr. R. E. Starkie, Mr. A. H. Walkey.

ASSISTANT SECRETARY

The President extended on behalf of the Council a welcome to Mr. I. A. F. Craig, O.B.E., B.A., who had taken up his duties as Assistant Secretary.

RESIGNATIONS

The Council received with regret a report from the Examination and Membership Committee that the following resignations had been accepted:

From December 31, 1945:

Mason, Alfred Bertram (Associate), Arcadia, U.S.A.

Reynolds, Thomas Reuben (Associate), Tamworth.

From December 31, 1946:

Crawford, Stephen Leonard Taplin (Fellow), Stratford-on-Avon.

Tillotson, Frederick Rhodes (Associate), Southport.

Williamson, Edward Victor (Fellow), Ilkley.

Worters, George Newman (Associate), Tunbridge Wells.

DEATHS

The Council received with regret the intimation of the death of each of the following members:

Canlett, Arthur (Fellow), Birmingham.

Davey, Frederick, O.B.E. (Fellow), Cheam.

Garbutt, William Dalton (Fellow), York.

Johnson, Cecil (Associate), London.

Marshall, Leslie (Fellow), Wallington.

Nicholls, John Gordon (Associate), London.

O'Neill, Richard Arden (Fellow), Limerick.

Shubbrook, George Edwin (Fellow), London.

Slater, Walter James (Associate), London.

Windle, Robert Slater (Fellow), Barnoldswick, via Colne.

EXAMINATIONS

The Preliminary, Intermediate and Final Examinations of the Society will be held on Tuesday, Wednesday, and Thursday, May 13, 14 and 15, 1947.

Applications may be submitted immediately. The appropriate forms and further information may be obtained from the Secretary at Incorporated Accountants' Hall. Completed applications must reach Incorporated Accountants' Hall, with all relevant certificates and the fee, not later than Tuesday, March 18, 1947.

The examinations will be held in London, Manchester, Leeds, Cardiff, Glasgow, Belfast, and Dublin, and for South African candidates in Cape Town, Johannesburg and Durban.

RESULTS OF EXAMINATIONS IN SOUTH AFRICA

MAY, 1946

Passed in Final

ORDER OF MERIT

LANHAM, CHARLES LEONARD, formerly with Hands and Shore, Cape Town. (Second Certificate of Merit, bracketed.)

ALPHABETICAL ORDER

BARNES, ALEC REGINALD EDWARD, with Whiteley Brothers, Johannesburg.

SPEKTOR, ELLIS, formerly with A. Rosenberg, Cape Town.

WOOD, GORDON BURN, D.S.O., with Deloitte, Plender, Griffiths, Annan and Co., Cape Town.

(Five candidates failed to satisfy the Examiners.)

Manchester Sixtieth Anniversary Dinner

The Incorporated Accountants' Society of Manchester and District held a dinner on October 11 in celebration of its sixtieth anniversary. Mr. J. D. Hamer, F.S.A.A., President of the District Society, was in the chair, and the guests included the Right Honourable Lord Tweedsmuir; Mr. Fred Woolley, J.P., F.S.A.A., President of the Society of Incorporated Accountants; the Deputy Lord Mayor of Manchester (Alderman W. P. Jackson, J.P.); the Mayor of Bury (Alderman Mrs. E. Goodall); the Reverend Professor T. W. Manson, D.D. (President of the Manchester, Salford and District Free Church Federal Council); Mr. A. H. Goulty, M.A. (President of the Manchester Law Society); Mr. F. M. Gilliat, F.C.A. (President, Manchester Society of Chartered Accountants); Mr. A. S. Reid, J.P. (Agent of the Bank of England, Manchester); Mr. W. H. Bradbury (Senior Inspector of Taxes); and other representatives of the professions and of commerce.

After the honouring of the loyal toast, "His Majesty King George VI, Duke of Lancaster,"

The President of the District Society (Mr. J. D. Hamer) proposed "The City and Trade of Manchester and district." He expressed regret that the Bishop of Manchester was unable to be present owing to a cold.

Mr. Hamer recalled that the Manchester District Society, the eldest of the District Societies, was founded on January 28, 1886, by eight Incorporated Accountants. The membership now was 731, including 449 Incorporated Accountants and 282 students. One of the founders, the late Mr. Arthur Piggott, acted as honorary secretary for over fifty years. He was a man of quiet dignity, and his record had no equal in the annals of the District Societies. Some two years ago the members of the District Society set up a Piggott Memorial Prize fund to perpetuate his memory.

He could not himself remember 1886, but he could remember Manchester in the 90's, with its horse-drawn trams, hansom cabs, and "growlers," and income tax at 8d. in the £. In 1886 Manchester was the pivot of the trade of Lancashire. During the last sixty years many of the industries previously carried on in Manchester found their way into the outlying towns, such as Oldham, Rochdale, Bury, and Bolton. But Manchester had grown in size, importance, and dignity. The accountancy profession had grown in keeping with the advancement of industry and commerce, and could claim to rank as one of the foremost professions.

ALDERMAN W. P. JACKSON, J.P. (Deputy Lord Mayor of Manchester), responding, said the influence of Manchester spread far beyond the County of Lancaster. Last year he had the honour of receiving in Manchester the then Chinese Ambassador, Dr. Wellington Koo, who said that people in China knew of England through the city of Manchester; most of them wore goods produced in Lancashire, and sold through the Manchester Royal Exchange. There were 34 towns in the United States proud to call themselves Manchester.

To ordinary traders like himself, the members of their great profession could be a great help. With the modest

percentage they were allowed to make, they managed with the help of their accountants to make a modest living.

LORD TWEEDSMUIR proposed "The Society of Incorporated Accountants." He noticed with great pleasure that the Society had strong ties with corresponding Societies in the Dominions. That was the way that true understanding was brought about—by people within the countries of the Empire, who had like vocations, or like tastes, getting together to further them.

Members of the accountancy profession took a great deal of responsibility. The trouble between the wars was that people were getting afraid of responsibility. Communism and Fascism both grew from that. Incorporated Accountants were also trained to a high point of accuracy. Words nowadays were used as counters to befool people. It was very necessary to weigh them with accuracy.

In the course of their professional work, they saw the interplay between reward and enterprise. If reward were ever divorced from enterprise in this country, we should not survive as a great nation. Lastly, the mass destruction of the war and the coming of the atom bomb had made many people feel that the individual could no longer affect his destiny. He could merely survive and that, too, was precarious. Those who believed that were denying the lesson of 5,000 years of recorded history—the power of the human personality. Without individual enterprise and the spirit of adventure, we should have made no discoveries in geography, or art, or science, or literature, or social service, or any of those things for which we were so justly renowned.

MR. FRED WOOLLEY, J.P., F.S.A.A., President of the Society of Incorporated Accountants, stated that he owed to Manchester the great bulk of his early training. He then conceived an affection for Manchester which he had never lost. Looking at the names of the Past Presidents of the District Society, he found that he personally knew Mr. Joseph Shaw Green, Mr. Frederic Walmsley, Mr. Harry Lloyd Price, and Mr. Arthur Edward Piggott; and he well remembered the part they played in the early history of the parent society, of which they each in turn became President. When he came to Manchester he was conscious of a virility and of a keenness in the well-being of the profession which had persisted from those very early days. The parent body owed much to the work of its Branches and District Societies. Indeed, the parent body would not be very much without them.

It seemed almost axiomatic that after a war there was accelerated change in almost every unit of society. Unfortunately, sometimes ambitions seemed to run away with wise discretion and good judgment. There were many who felt that in the political field there might be a tendency in that direction. But in the Society of Incorporated Accountants, and in the profession as a whole, while substantial changes were on the move, it was good to feel they were the result of long deliberation and studious effort; making sure at every stage that the approach was towards the goal of enlightened progress, keeping in view the best interests of the public and of the professional life.

Co-ordination of the profession had now reached the stage of a Bill to be presented later on to Parliament. In all, six bodies in England, Wales and Scotland were concerned, and every one of those bodies passed by an overwhelming majority the resolutions for the approval of the Bill. A Co-ordinating Committee was now considering the many suggestions that had come to all these bodies from their individual members, through correspondence, and at the several meetings. That Committee would do their utmost to meet legitimate desires, but they would not be justified in doing anything to alter the fundamental purpose of the Bill. They must bear in mind that the Bill had to satisfy the Government and Parliament—and it would be appreciated that there were obvious limitations upon the possibilities of adjustment.

Another matter which had been engaging their attention was professional education. A scheme had been devised and was now in operation by which articulated clerks might join, with their practical experience, a University education and the taking of a degree. The total period necessary for this purpose represented only a comparatively small extension upon the five years necessary for the ordinary service of articles. It was realised that not all practising accountants could make the necessary arrangements, and not all articulated clerks would be able to take advantage of the scheme. But

it was a great thing that the opportunity should be provided. Most of the first half of the period of articles would be spent in the University, and the remaining half would be spent entirely in the gaining of practical experience after the degree had been taken.

In these two matters there had been the closest co-operation between the various accountancy bodies concerned.

The Society attached the greatest importance to research work. Though this research work was in the main conducted by a small body of members specially qualified for the job, at the same time they relied upon the assistance of members throughout the country in sending any information or suggestions, the results of experience. The first edition of the work "Design of Accounts" was already exhausted, but a second edition was in the Press. The work had made a great contribution to the reputation of the Society, and was an indication that they were proceeding on up-to-date lines in order to place at the disposal of trade and industry the best possible information and statements of principles.

He need not remind them of the vital place which the parent body considered was filled by the District Societies. His personal view was that the District Societies must become more and more an integral part of the work of the parent body; must, in future, be developed to a very much higher degree of co-operation than had been possible in the past. The Refresher Courses for returning ex-Service members had given great satisfaction, not only to the Council, but to all the members. Three Courses had been held at Oxford and Cambridge, and had been in every case an unqualified success. They well knew what it meant when something over 1,000 men came back, having been separated from their profession for three, four, five, or even six years, knowing little of what had taken place—what it meant to them and to the profession that they should be made aware of these things, and so far as possible in a course of that kind, their minds refreshed upon the foundations of their profession.

What was the object of all these endeavours? They had to bear in mind the very great responsibilities that professional accountants must be prepared to shoulder; and they must ensure the highest degree possible of competence, of reliability, and of integrity amongst the Society's members.

It was of interest that the Chancellor of the Exchequer, in setting up a panel of six persons to advise on excess profits tax refunds, had included two practising accountants: Mr. Richard Witty, Past President of the Society, and Mr. W. L. Barrows, a member of the Council of the Institute of Chartered Accountants.

MR. C. YATES LLOYD, F.S.A.A., Vice-President of the Incorporated Accountants' Society of Manchester and District, proposed the toast of "Our Guests."

THE REV. PROFESSOR T. W. MANSON, D.D. (President of the Manchester, Salford and District Free Church Federal Council) and MR. A. S. REID, J.P. (Agent, Bank of England, Manchester) responded.

DISTRICT SOCIETIES

LONDON STUDENTS' SOCIETY

Warm appreciation is expressed to the board and members of the staff of Ford Motor Company, Ltd., by nearly 200 members of the Incorporated Accountants' Student Society of London and District, who were privileged to visit the Ford Works at Dagenham on September 27. The party was led by the Vice-President, Mr. A. V. Hussey, F.S.A.A., and members of the Committee.

The tour was most instructive. At the tea provided in the pavilion of the sports ground, the Vice-President acknowledged the perfect arrangements made. He asked the directors to convey to Lord Perry, the company's chairman, their sincere wishes for his speedy recovery from his illness.

BIRMINGHAM

Syllabus of Lectures

- 1946
 Oct. 18 "Double Taxation," by Mr. Percy F. Hughes, F.S.A.A., Assistant Editor of *Taxation*.
 Nov. 1 "Capital for Industry, with Special Reference to Control," by Mr. F. W. Forge, of the *Glasgow Herald*.
 Nov. 15 "Stock Valuations," by Mr. Donald Cousins, B.Com., A.C.A.

- Nov. 29 "War-time Developments in Income Tax," by Mr. J. A. Jackson, F.S.A.A., F.C.A.
 Dec. 13 "Britain's International Trade Position," by Mr. Leo T. Little, B.Sc.(Econ.).
- 1947**
 Jan. 3 "Purchase Tax," by Mr. Percy F. Hughes, F.S.A.A., Assistant Editor of *Taxation*.
 Jan. 18 Dance at Midland Hotel.
 Jan. 31 "Form of Accounts," by Mr. F. Sewell Bray, F.S.A.A., F.C.A.
 Feb. 14 "E.P.T., including Refunds of E.P.T.," by Mr. R. A. Fricker, A.S.A.A.
 Feb. 28 "Mechanised Accountancy," followed by a demonstration on Powers-Samas accounting machines.
 Mar. 28 "Accounting Principles," by Mr. Donald Cousins, B.Com., A.C.A.

The meetings will be held at the Law Library, 8, Temple Street, Birmingham, at 6.30 p.m.

HULL

Incorporated Accountants and registered students of the District Society have been invited to attend the Refresher Course arranged by the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants. The course began on October 14, and is being held on Tuesdays and Thursdays at 5 p.m., each meeting occupying approximately two hours. The subjects include: War-time developments; Professional Practice and Etiquette; Company Law Amendment; War-time Taxation; Accounting Principles; Cost Accounting; Mechanised Accounting; and Government Controls. Mr. C. H. Tranmer, B.Com., F.S.A.A., Honorary Secretary of the Incorporated Accountants' Hull and District Society, will be Group Leader at three of the meetings.

LEICESTER

Syllabus of Lectures, 1946-1947

- 1946**
 Oct. 4 "Government Price Control," by Mr. R. H. Fox, A.S.A.A. (Board of Trade).
 Oct. 18 "Recent Taxation Changes," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.
 Nov. 1 "Design of Accounts," by Mr. H. B. Sheasby, F.S.A.A., A.C.A.
 Nov. 15 "Valuation of Goodwill," by Mr. W. W. Bigg, F.S.A.A., A.C.A.
 Nov. 29 "Company Law Amendment," by Mr. S. Shaw, LL.B., Barrister-at-Law.
 Dec. 13 "Audit of Mechanised Accounts," by Mr. R. N. Barnett, F.S.A.A.
- 1947**
 Jan. 10 "Accounting Problems of Retail Distribution," by Mr. J. H. Nellist, F.S.A.A., Chief Accountant, Marks and Spencer, Ltd.
 Jan. 24 "Investigations," by Mr. A. L. Boddington, F.S.S.
 Feb. 7 "Points in Taxation Practice," by Mr. W. J. Higgott, G.M. (ex-Inspector of Taxes).
 Feb. 21 "Some Aspects of Accountancy for Management Purposes," by Mr. L. C. Hawkins, F.S.A.A., Chief Accountant, London Passenger Transport Board.
 Mar. 7 "Share Valuation and Estate Duty," by Mr. A. E. Langton, LL.B., A.S.A.A., A.C.A.
 Mar. 21 "Insolvency Practice," by Mr. A. V. Hussey, F.S.A.A.

Meetings will be held at the Bell Hotel, Humberstone Gate, Leicester, at 6 p.m.

LIVERPOOL

Syllabus of Lectures, 1946

- Sept. 17 "Economics and the Accountant," by Mrs. B. Bramwell McCombe, M.A., B.Comm.
 Sept. 24 "Income Tax Act, 1945," by Mr. Frank Bower, of Lever Bros. and Unilever, Ltd. (Joint meeting with Liverpool Society of Chartered Accountants.)
 Oct. 4 "Income Tax Schedule D," by Mr. W. A. Barnes, A.S.A.A.
 Oct. 15 "Company Law and Practice," by Mr. E. G. Hardman, F.C.I.S.

- Oct. 25 "Economic Planning," by Mr. Harold Wilson, M.P., Parliamentary Secretary, Ministry of Works.
 Nov. 1 "Partnership Law," by Professor W. Lyon Bleas, LL.M., Barrister-at-Law.
 Nov. 12 "Costing," by Mr. A. L. Dickson, A.S.A.A.
 Nov. 22 "An Accountant in Parliament," by Captain Ernest Marples, M.P., A.S.A.A.
 Nov. 26 "Income Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A. (At Queen's Hotel, Chester.)
 Dec. 6 Dance at Reece's Ballroom, Parker Street, Liverpool.
 Dec. 9 "Economics," by Mr. R. E. Bird, B.Sc.(Econ.), Assistant Editor of *The Economist*.
 Dec. 16 "Auditing," by Mr. J. A. Jackson, F.S.A.A., F.C.A.

Meetings will be held at Liverpool Incorporated Accountants' Hall, 25, Fenwick Street, at 5.30 p.m. Each address will last about forty-five minutes and will be followed by a short discussion.

MANCHESTER

Syllabus of Meetings

- 1946**
 Nov. 1 Discussion on May, 1946, Examination Papers, opened by Mr. W. H. Hill, A.S.A.A. Students' Meeting. At the Estate Exchange at 6.15 p.m.
 Nov. 15 "Tax and General Matters." Members' joint discussion meeting with the Manchester Society of Chartered Accountants. Midland Hotel at 6 p.m.
 Nov. 27 "Accounting for Management Purposes," by Mr. L. C. Hawkins, F.S.A.A., of the London Passenger Transport Board. Joint meeting with the Manchester Branch of the Chartered Institute of Secretaries. At the Chartered Accountants' Hall at 6.30 p.m.
 Dec. 6 "Taxation and Economic Policy," by Mr. R. E. Bird, of *The Economist*. Members' meeting. Midland Hotel at 6 p.m.

SHEFFIELD

Annual General Meeting

The 59th annual general meeting was held on October 4. Mr. A. F. J. Girling (Doncaster), President of the District Society, welcomed the members and students present who had returned from H.M. Forces.

The report and accounts for the year ended March 31, 1946, were approved. The retiring members of the committee were re-elected, and Mr. William Kirkham was elected to fill the vacancy caused by the death of Mr. Harry Cunningham, J.P. Mr. Arnold Graves was re-elected Honorary Auditor.

It was reported that the District Society would celebrate its Diamond Jubilee in March, 1947.

A vote of thanks to the President concluded the business of the meeting.

At a subsequent Committee meeting, Mr. A. F. J. Girling was re-elected President, Mr. C. S. Garraway Vice-President, Mr. J. W. Richardson Honorary Secretary and Treasurer, and Mr. H. Gerald Toothill Honorary Librarian. It was resolved to extend the Library by the acquisition of a number of recently published books.

Annual Report

Joint lectures have been resumed with the Institute of Chartered Accountants, the Chartered Institute of Secretaries and the Institute of Bankers, and four lectures were held. In addition, there were three luncheon meetings for members of the Society and students. At the meeting on January 29, 1946, the President made a presentation to Mr. C. W. Bodsworth, a student member, who passed the Final Examination while a prisoner of war in Germany.

Two students passed the Intermediate Examination in 1945.

As a result of negotiations between Sheffield University and representatives of the accountancy profession, a new Degree has been instituted at the University. This is termed Bachelor of Arts (Econ.). Details may be obtained from the Secretary of the District Society.

The Committee desires to assist members and students

after demobilisation, by means of lectures and discussions, and would welcome suggestions.

The Society now advises the District Society of appointments vacant, and of Incorporated Accountants seeking engagement. Any member requiring the services of an Incorporated Accountant is invited to apply to the Secretary of the District Society.

The Committee record with regret the death of Mr. Harry Cunningham, J.P., the immediate Past President of the District Society, and of Mr. Donald Craig, J.P., who was President from 1913 to 1916. Both rendered valuable services to the profession, and particularly to this District Society.

SOUTH WALES AND MONMOUTHSHIRE

CARDIFF STUDENTS' SOCIETY

The President of the District Society (Mr. E. Ewart Pearce, M.B.E., F.S.A.A.), supported by the Vice-President (Mr. J. Wallace Williams, F.S.A.A.) and the Honorary Secretary (Mr. Tudor Davies, F.S.A.A.) addressed the members of the Students' Society of Cardiff at the opening meeting of the 1946-47 session on October 17. The chair was occupied by Mr. D. R. Carston, F.S.A.A., and there was an excellent attendance.

A lecture on "Some Notes on Taxation" was delivered by Mr. Albert Salter, F.S.A.A. An interesting and informative talk was followed by an enthusiastic discussion.

The following officers have been elected for 1946-47: Chairman, Mr. D. R. Carston, F.S.A.A.; Hon. Secretary, Mr. J. Alum Evans; Committee, Mr. C. A. Clark, Mr. D. G. Evans, Mr. K. H. Fickling; Mr. D. Lloyd Jones, Mr. D. O'Shea, and Mr. B. R. Willis.

SWANSEA AND SOUTH-WEST WALES

Syllabus of Lectures, 1946-7

1946.
Oct. 18 "Receivers for Debenture Holders," by Mr. H. Dixon Williams, F.S.A.A. Chairman: Mr. R. A. Tucker.
Oct. 24 "The Income Tax Act, 1945," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A. Chairman: Mr. G. Glanville Mullens, M.C., F.S.A.A.
Nov. 15 "Statistics and their Application in Industry and Trade," by Mr. Gordon Thomas, Ph.D., A.S.A.A., A.C.I.S. Chairman: Mr. T. O. Morgan, A.S.A.A.
Nov. 29 "Liabilities of Bankers," by Mr. Mansel Davies. Chairman: Mr. J. G. Powell.
Dec. 12 "Principles of Costing," by Mr. W. W. Bigg, F.S.A.A., F.C.A. Chairman: Mr. H. K. Greaves, A.S.A.A., F.I.M.T.A.
1947.
Jan. 10 "Cost System in Local Works," by Mr. E. E. Porter, F.S.A.A. Chairman: Mr. A. Altorfer, A.I.M.T.A.
Jan. 17 "The Cohen Report on Company Law," by Mr. A. E. Langton, LL.B., A.S.A.A., A.C.A. Chairman: Mr. E. E. Porter, F.S.A.A.
Jan. 24 "Bankruptcy," by Mr. G. M. Davies, F.C.I.S. Chairman: Mr. S. Page.
Feb. 7 "Some Aspects of Mercantile Law," by Mr. D. Gethin Williams, LL.B. Chairman: Mr. R. A. Wetherall, M.B.E., F.S.A.A., F.I.M.T.A.
Feb. 14 "Present Day Problems of a Practising Accountant," by Mr. S. Lloyd Francis, F.S.A.A. Chairman: Mr. D. G. Fitzgerald.
Mar. 7 "Principles of N.D.C.," by Mr. G. Glanville Mullens, M.C., F.S.A.A. Chairman: Mr. D. S. Jones.
Mar. 14 "Economics," by Professor E. V. Morgan, M.A. Chairman: Mr. S. Lloyd Francis, F.S.A.A., President of the District Society.

Meetings will be held at 6.30 p.m. at the Central Library, Alexandra Road, Swansea.

* Arranged by Students' Section.

WEST OF ENGLAND

Syllabus of Lectures, 1946-7

1946.
Oct. 15 Informal Discussion on Professional Problems. Chairman: Mr. H. O. Johnson, F.S.A.A.

- Nov. 12 "Taxation and Economic Policy," by Mr. R. E. Bird, B.Sc. (*The Economist*). Chairman: Mr. I. P. Ray, F.S.A.A.
Dec. 10 "Company Law—Cohen Report," by Mr. E. W. W. Veale, LL.D. (Lond.). Chairman: Mr. C. B. Steed, F.S.A.A.
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Jan. 14 "Executorship Law and Accounts," by Mr. A. E. Langton, LL.B., A.S.A.A. Chairman: Mr. F. C. Hucker, A.S.A.A.
Feb. 11 "Holding Companies and their Accounts," by Mr. Glynn Williams, A.C.A. Chairman: Mr. S. Foster, F.S.A.A.
Mar. 11 "Income Tax, 1945, with special reference to Sections 3, 17 and 59," by Mr. P. F. Hughes, A.S.A.A. (Assistant Editor, *Taxation*). Chairman: Mr. F. A. Webber, F.S.A.A.

The lectures will be given at the Royal Hotel, Bristol, at 6 p.m.

YORKSHIRE

At a Committee meeting held in September the following officers were elected: President, Mr. G. O. W. Pickard, F.S.A.A.; Vice-President, Mr. W. H. McMinn, F.S.A.A.; Honorary Treasurer, Mr. Thomas Hayes, F.S.A.A.; Honorary Secretary and Librarian, Mr. T. W. Dresser, F.S.A.A.

PERSONAL NOTES

Mr. J. B. Bolton, Incorporated Accountant, Douglas, Isle of Man, has been elected a member of the House of Keys for the constituency of North Douglas.

Messrs. Allan, Charlesworth and Co., Chartered Accountants, London, Cambridge and Rangoon, have admitted into partnership Mr. William Arthur Shapland, A.S.A.A., A.C.A., and Mr. George Duncan, C.A., who have been members of their staff for many years. The name of the firm remains unchanged.

Messrs. W. W. Beer, Aplin and Co., have admitted Mr. R. H. T. Burgess, A.S.A.A., into partnership. The firm will continue to practise under the style of W. W. Beer, Aplin and Co., Incorporated Accountants, at 9, Barnfield Road, Exeter.

Messrs. Crane, Houghton and Crane, Incorporated Accountants, Sardinia House, 52, Lincoln's Inn Fields, London, W.C.2, and Messrs. Burton Miller, Crane and Co., 141, Fenchurch Street, London, E.C.3, announce that they have been joined in partnership by Mr. F. Gordon Evans, Chartered Accountant, of Hatch End, Middlesex. The practice formerly carried on by Mr. Evans at Hatch End will be merged with that of Messrs. Crane, Houghton and Crane, and the respective firms' names will remain unaltered.

Messrs. Charles E. Dolby and Son, Incorporated Accountants, 11, Dale Street, Liverpool, 2, announce that they have amalgamated their practice with that of Mr. T. J. Harrison, Chartered Accountant. The combined practices will be carried on under the style of Charles E. Dolby and Son from the same address.

Mr. Robert Bernard Knowles, Incorporated Accountant, has taken over the old-established practice of Messrs. Herriot and Hay, C.A., of 7, Forbes Street, Edinburgh, and will carry on the practice at the same address under the style of Herriot and Hay, Incorporated Accountants.

Messrs. Singleton, Fabian and Co., Chartered Accountants, of 8, Staple Inn, W.C.1, and Pinners Hall, Austin Friars, E.C.2, announce that Mr. P. G. Corbett, A.C.A., Mr. P. L. Eynon, A.C.A., and Mr. T. A. Morton, A.C.A., have been admitted to partnership as from October 1, 1946.

OBITUARY

WILLIAM DALTON GARBUTT

We record with regret that Mr. W. D. Garbutt, F.S.A.A., senior partner of Messrs. O. G. Taylor & Garbutt, York, died on October 9 at the age of 54. Mr. Garbutt became a member of the Society of Incorporated Accountants in 1913, and was admitted to Fellowship in 1921. He served his articles with the late Sir Charles Wilson, F.S.A.A., at Leeds, and commenced public practice in York after serving overseas during the 1914-18 war as an officer in the Royal Artillery. During the recent war he served in the Royal Observer Corps and subsequently in the Home Guard.